Local Pensions Partnership Investments Ltd

Annual Report and Financial Statements

For the Year Ended 31 March 2024

Registered number: 09835244

Contents

Company Information

Directors	Margaret Ammon Malcolm Cooper Louise Jack (appointed 10 November 2023) Sarah Laessig Jon Little (appointed 1 August 2023) Tom Richardson Chris Rule Richard J Tomlinson Martin Tully
Company secretary	Victoria Moss
Registered number	09835244
Registered office	First Floor 1 Finsbury Avenue London EC2M 2PF
Independent auditors	Grant Thornton 30 Finsbury Square London EC2A 1AG
Bankers	National Westminster Bank PO Box 35 10 Southwark Street London SE1 1TJ
	Handelsbanken First Floor Unit 7b Edward VII Quay Navigation Way Preston PR2 2YF

Principal Activities

Local Pensions Partnership Investments Ltd (LPPI) is part of the Local Pensions Partnership (LPP) Group and manages £26bn[1] of assets for three Local Government Pension Scheme (LGPS) Whole Scheme Management clients* and a wider institutional client base who are invested in specific Funds for which LPPI is the investment manager.

LPPI seeks to deliver investment returns in excess of agreed benchmarks, along with ensuring value for money implementation provides savings in the investment management costs which would otherwise be borne by clients. The financial benefits resulting from LPPI's approach are shown in the statutory accounts of LPPI's clients, including the reduced costs of running the pension funds. These are achieved by fee negotiation, consolidation of third party managers, increasing allocations to internal management and through broader economies of scale.

**LPPI manages the assets of London Pensions Fund Authority (LPFA), Lancashire County Pension Fund (LCPF) and The Royal County of Berkshire Pension Fund (RCBPF)* via a delegated model whereby *LPPI manages 100% of the assets – LPPI refers to this as Whole Scheme Managemen*t.

LPPI's Delegated Model (Whole Scheme Management)

LPPI provides tailored advice to clients to support them in setting their strategic asset allocation and making other strategic investment policy decisions. LPPI's clients retain responsibility for their investment strategy but delegate fully to LPPI the implementation of investment management activities. This delegation includes all sub-strategy, manager selection and stock selection decisions and allows LPPI to achieve the economies of scale and cost savings mentioned above.

LPPI's Investment Approach

The LPPI model is built upon three pillars:

- **Scale** – enables access to a broader range of investment opportunities and provides clients with access to a broad range of diversified investment opportunities implemented in a cost-effective and liability-aware manner.

- **Governance** – delegated, independent decision-making and governance structures enable cost-effective investment management.

- **In-house investment and risk management** – deep and broad in-house investment expertise across major asset classes in both public and private markets, enabling LPPI to better understand clients' investment priorities and to develop appropriate investment strategies to meet these requirements.

[1] As at 31 March 2024

Investment Funds

LPPI operates investment pooling vehicles across seven asset classes. These are housed within two Authorised Contractual Schemes (ACS) and a number of special pooling vehicles.

Further details are available in the statements of accounts for the LPPI Asset Pooling ACS and the LPPI Real Estate ACS available from the LPP website. Details on the investment pooling vehicles are available from Companies House.

Further information on the LPPI pooled funds can be found on the 'Our funds' page within the Investments section of the LPP website.

Wider Service Provision

Through a partnership with Northern LGPS, LPPI also provides services to, and is the AIFM of, GLIL, an innovative collaboration between aligned and like-minded investors who are seeking investment into core infrastructure opportunities predominantly in the United Kingdom. LPPI is also appointed by London CIV as the Investment Manager to The London Fund (see more details below).

Responsible Investment and Stewardship

In 2023/24 LPPI continued to focus on being transparent about its activities as a responsible investor on behalf of client pension funds.

LPPI's *Responsible Investment and Stewardship Annual Report 2022-23* sets out the work LPPI has undertaken and was accredited by the FRC for a third year, ensuring the retention of LPPI's UK Stewardship Code signatory status. LPPI also performed strongly against the revised assessment approach introduced by the Principles for Responsible Investment, with results published in 2023 showing LPPI significantly exceeding the peer group average and scoring upwards of 75% for all modules.

Net zero

In December 2023 LPPI published a second phase of net zero targets as a signatory to the Net Zero Asset Manager Initiative. Targets were pre-approved by the Institutional Investor Group on Climate Change and mean that over 50% of LPPI's assets under management are within coverage of net zero targets. Having commenced with Global Equities, phase 2 added corporate fixed income allocations within LPPI's Fixed Income Fund (FIF) and LPPI Credit Fund, and the directly managed portion of the LPPI Real Estate Fund. Further asset classes will progressively be brought into scope each year. LPPI published a dedicated Roadmap to net zero in 2023 to explain its net zero commitment and share insights on the work LPPI is doing to tackle the challenges climate change and net zero represent for LPPI and its clients. LPPI's reporting on progress against the net zero targets it has set forms part of LPPI's annual disclosures in line with the Taskforce on Climate Related Financial Disclosures (TCFD) recommendations.

The London Fund

The London Fund was established towards the end of 2020 as a collaboration between LPPI (investment manager) and London CIV (AIFM) with the ambition to provide sustainable, long-term, risk-adjusted value to pension scheme investors, while creating a 'double bottom line' by making a positive contribution to social and environmental issues in London. The Fund has a focus on investment opportunities in residential property and affordable housing, community regeneration, digital infrastructure and clean energy. The Fund welcomed the Royal Borough of Kingston Upon Thames and the London Borough of Sutton Pension Funds towards the end of December 2023 (prior to the Fund close on 31 December 2023), which brought the total Fund assets to £250m. Progress of the existing investments was closely monitored, including how the Fund was meeting its positive social outcomes objective.

Strategic Approach

LPPI operates under a strategic Business Plan which is approved annually, with its budget, by its shareholder LPP and the two Group Shareholders: London Pensions Fund Authority (LPFA) and Lancashire County Council (LCC). The Business Plan delivers the objectives set by shareholders.

LPPI's most important strategic objective is to deliver excellent investment performance which meets client expectations. This is aligned with LPPI's purpose statement:

We deliver first class, value for money investment outcomes, aligned to our clients' interests.

We bring our expertise and spirit of collaboration together to help our clients invest sustainably in better futures.

Key Strategic Deliverables Achieved 2023/24

Robust financial performance: Investment cost savings against the pre-pooling position for LCPF, LPFA and RCBPF have been published. In aggregate LPPI has achieved £153m of cumulative savings to end March 2023 compared with the pre-pooling position. During the year discussions were concluded with the Group Shareholders concerning options for the management of LPPI's FRS102 pension liabilities, concluding with LPPI entering into a Fixed Rate Contribution Agreement with LPFA.

Investment performance: LPPI's absolute performance remains strong over the 1, 3 and 5-year periods to 31 March 2024. This is the key measure which drives funding position and consequent contribution rates.

Short term (1 year) relative performance lagged each client's policy portfolio (market based benchmark) over the reporting year to 31 March 2024. The main driver of this was underperformance in listed equities (where the benchmark is dominated by a narrow group of technology related stocks where LPPI was underweight) and the use of a short-term inflation measure in the benchmarking of infrastructure.

The most recent data from PIRC (Pensions & Investment Research Consultants) on the performance of the LGPS shows that at March 2024 medium and long term performance remained robust with LPPI's clients ranked in the 2nd, 3rd and 5th percentiles over 3 years and the 5th, 12th and 33rd percentiles over 5 years.

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

Operational Resilience: Initiatives delivered in line with LPPI's Strategic Business Plan have matured elements of LPPI's operating model, including:

- Net Zero roadmap phase 2 metrics agreed;
- Progressed planning for a new Environmental Opportunities Fund;
- Critical foundational understanding and updates to LPPI's data and applications;
- Governance enhancements, including delivery of a Type 2 AAF; and
- Advancing the employee value proposition including reward, learning and development, and recognition.

Client focus: LPPI's third client conference is scheduled for September 2024. Development of client reporting continued during the year with the roll out of a new client portal and consultations with clients on future reporting developments.

Looking ahead – 2024/25 strategic priorities

LPPI's refreshed strategic Business Plan 2024-27 continues the focus on business maturity and improvements to the operating platform in line with discussions with clients. The outcome of the long awaited LGPS Pooling Consultation provided clear support for the nature of the pooling model adopted by LPPI and also called for greater scale in the long term.

The Board has considered the objectives for the coming year which will be delivered in line with LPPI's Business Plan 2024/27.

LPPI's strategic objectives can be summarised as:

- Outperformance of policy portfolio benchmark;
- Launch of the new Environmental Opportunities Fund;
- Enhancements to client reporting and servicing;
- Delivery of the initiatives within a multi-year data and technology roadmap of systems and data enhancements;
- Delivery of the ESG Programme – Net Zero, TCFD Reporting and the Sustainability Disclosure Regime;
- focus on business maturity and the enhancement of operational resilience; and
- Continuing to build internal management capability.

s172(1) Statement 2023/24

LPPI is required to publish a statement explaining key decisions that have been taken during the year and how the Directors have discharged their duty to promote the success of LPPI – the Company. LPPI's Board and committee papers for decision include a statement on how proposed decisions will assist the Directors in the discharge of their obligations under section 172 of the Companies Act 2006. This requirement for papers seeking approval, assists the Directors in their decision making and embeds the consideration of section 172 in the culture of the business and its decision making at senior management level, where papers are written.

Directors are mindful of the impact on stakeholders when making decisions. LPPI considers its stakeholders to be: LPP as its shareholder; the two Group shareholders; employees; investment clients; the members and employers of those clients where relevant; suppliers of key services and goods (such as software) to the LPP Group; and the Government.

LPPI is committed to maintaining a reputation for high standards of business conduct and its commitment to good standards of corporate governance is described in the corporate governance statement (pages 12 - 14) which reflects its application of the Wates Principles.

Three of the key decisions taken by LPPI's Directors during 2023/24 are outlined below and are important steps in the long-term success of LPPI. For each one, detail has been provided as to how the Directors have had regard to the matters set out in section 172(1) (a) to (e)[2] when performing their duty under section 172 of the Companies Act 2006 when making key decisions or when applying the strategic decisions made at Group level.

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

1. Budget and Business Plan 2024-27

Decision taken: The Board approved the budget for 2024/25 with the strategic Business Plan for 2024-27.

Section 172(1) paragraph(s) relevant to this decision:

(a) the likely consequences of any decision in the long-term;

(b) the interests of the Company's employees;

(c) the need to foster the Company's business relationships with suppliers, customers and others; and

(e) the desirability of the Company maintaining a reputation for high standards of business conduct.

Directors' regard to wider stakeholder needs:

- LPPI's Business Plan provides LPP and the Group Shareholders with a clear vision of LPPI's strategic direction, aligned to agreed shareholder objectives and with reference to the Government's expectations on the future of LGPS asset pooling.

- For employees, the Business Plan serves as a roadmap, setting clear goals and objectives which contribute to a sense of purpose and direction, promoting productivity and job satisfaction.

[2] (f) *the need to act fairly as between members of the company is not addressed as LPPI has only one shareholder: LPP.*

- With a solid Business Plan in place, LPPI's clients can feel confident in the Company's long-term stability and commitment to continuous improvement.

- The Business Plan demonstrates LPPI's commitment to proactive planning and regulatory compliance via the "robust foundations" strategic goal.

2. LPPI Environmental Opportunities Fund Launch

Decision taken: The Board approved the launch of a new LPPI Fund – the Environmental Opportunities Fund. This was an 'in principle' approval with the finalisation of documentation and the 'go live' decision appropriately delegated.

Section 172(1) paragraph(s) relevant to this decision:

(a) the likely consequences of any decision in the long-term;

(c) the need to foster the Company's business relationships with suppliers, customers and others; and

(d) the impact of the Company's operations on the community and the environment.

Directors' regard to wider stakeholder needs:

- The launch of this new Fund and its related increase in dedicated resource in the ESG/climate area will assist LPPI in maturing its capabilities in this growing field of expertise, allowing for a broadening of its product offering for future growth.

- The provision of a new asset class to address environmental opportunities will assist LPPI's clients, past and present, with a Fund mandate to help them deliver on their commitments to invest in climate and nature-based solutions.

- Asset owner commitments to invest in climate solutions is a crucial part of reducing the devastating impact of climate change on the environment.

3. Responsible Investment Policy – Human Rights Annex

Decision taken: The Board approved the addition of a Human Rights Annex to the Responsible Investment Policy.

Section 172(1) paragraph(s) relevant to this decision:

(a) the likely consequences of any decision in the long-term;

(c) the need to foster the Company's business relationships with suppliers, customers and others;

(d) the impact of the Company's operations on the community and the environment; and

(e) the desirability of the Company maintaining a reputation for high standards of business conduct.

Directors' regard to wider stakeholder needs:

- This annex outlines LPPI's recognition of international standards on human rights and the processes through which oversight occurs in investment research and portfolio monitoring across LPPI's assets. This addition to LPPI's Responsible Investment Policy has clear benefits for clients and the wider community.

- The approval, publication and application of the annex addresses the needs of a broad range of stakeholders in ways which include:
  - seeking to increase leverage through collaboration with like-minded institutional investors and other stakeholder groups, for example, support of shareholder resolutions relating to human rights due diligence and practices; and
  - providing LPPI's clients, and other stakeholders, with greater assurance, clarity and detail regarding LPPI's oversight of human rights matters across LPPI's assets.

Consideration of LPPI's Employees, Engagement and Representation

In discharging their duties under section 172(1) directors are mindful of the impact on employees. During the reporting year Directors received assurance that organisational-wide changes are communicated and major strategic projects discussed with employees through firm-wide email communications, intranet announcements and 'town hall' events (which are hybrid). A recent example is the employee "explainer" document created on the LPPI Business Plan, which summarised the progress made to date against LPPI's strategic goals and the specific business initiatives agreed for the coming year. Strategic update sessions are supplemented with informal 'open door' sessions where employees are encouraged to put questions to the CEO.

Regular surveys are used to gauge employee engagement and well-being, also to seek opinions on relevant topics, such as flexible working, in order to factor employee views into the planning. The results are transparently shared at the quarterly 'town hall' events by the Chief People and Culture Officer, together with action plans. For example, colleagues fed back the importance of recognition which has been responded to by the introduction of twice-yearly LPPI Recognition Awards, with employees nominated by their colleagues from across the business and winners selected by an employee "Academy". Practical changes have also made to the benefits suite, for example an additional window to buy and sell leave, as a direct result of employee feedback.

A newly established employee-led Diversity and Inclusion Network became operational during 2023/24 to assist with the positive cultivation of an environment that both values and embraces employee differences and continues to nurture a culture of belonging.

Principal Risks

The LPPI Risk Policies, supported by the Risk Appetite and Tolerances Schedule, provide a framework for managing risk within appetite and form an integral part of management and board processes, including decision-making processes, and is embedded in the formulation of the business strategy, planning, forecast and business model.

The LPPI Risk Management Policy articulates the approach, appetite, and expectations in relation to the management of risks that have the potential to cause material harm should they materialise.

LPPI adopts an enterprise-wide perspective on risk, facilitated through commitment to a strong risk culture. LPPI's ambition is to protect its obligations to clients and treat them fairly, whilst making better risk adjusted business decisions based on a balanced awareness of the opportunities and threats; only taking risks it has the capability to understand and manage.

LPPI achieves this by linking its strategic objectives and approach to risk management through to the key business processes.

The Board controls and monitors risk through the application of a risk governance framework, and through setting risk appetite and limits across a number of strategic objectives and critical success factors, and through control of the risk profile.

The exposure against the Risk Appetite and Tolerances Schedule is monitored regularly and is reported to the Audit and Risk Committee and the Board quarterly.

The following are the principal risks for LPPI:

- Business risk: the risk arising from exposure to factors or events which, if allowed to crystallise, could materially reduce revenue, or increase expenses. For example, the main source of LPPI revenue is the charge on funds under management.

- Market risk: the risk of volatility of LPPI's income and/or balance sheet as a result of changes in the values of market prices. The exposure to market risk arises from investments held or managed on behalf of clients, and assets held on the corporate balance sheet.

- Counterparty risk: the risk that a party may fail to fulfil its obligations.

- Liquidity risk: the risk that assets on the balance sheet are invested in such a way that LPPI is unable to meet its obligations in a timely manner without incurring excessive cost.

- Operational risk: the risk of loss arising from inadequate or failed internal processes, from personnel or systems, or from external events. Operational risk includes legal risk.

- Reputation and conduct risk: the risk that the perception of LPPI and its approach to doing business is not aligned with delivering its strategic aims. This includes reputational damage impacting existing client confidence and the future ability to grow the business and the risk that strategic actions are taken which either damage LPPI's brand or are not aligned with delivering our strategic aims.

- Climate-related risks: the potential adverse impact on LPPI's ability to deliver its strategic objectives resulting from changes in the global climate. The adverse impacts could be financial, operational, or reputational and have the potential to arise from physical risks and transition risks.

- Pension obligation risk: the risk of a decrease in pension scheme funding position on an accounting basis, which adversely impacts the balance sheet and, in turn, capital adequacy.

- Concentration risk: the risk of loss resulting from the adverse movement in value, or failure of, a risk exposure, for example to a counterparty, client, geography, issuer, or corporate entity.

Exposure to quantifiable principal risks is measured and managed as part of the Internal Capital Adequacy and Risk Assessment process (ICARA process) which is at the core of the LPPI risk management framework and is embedded into key decision making

As part of the strategic planning process, the Chief Risk Officer leads the ICARA process that supports the assessment of the amount of own funds and liquid assets required to support the objectives of the business plan on a forward-looking basis. The ICARA process includes:

- Ensuring that LPPI's risk appetite is consistent with its business model and strategy.

- Ensuring that any material risks of misalignment between its business model and operating model are identified and mitigated.

- Considering and assessing the key risks that could potentially cause material harm as identified in the strategic planning process and recorded in the risk registers.

- Ensuring that LPPI holds own funds and liquid assets which are adequate to ensure that it is able to remain financially viable throughout the economic cycle, or so that it can be wound down in an orderly manner, considering potential material harm in each case.

- Considering severe but plausible stressors as part of capital and liquidity planning, supported by credible recovery actions.

Understanding the implications of strategic proposals and informed by stress and scenario testing, the Board defines factors critical for the successful delivery of the business plan and statements of risk appetite in achieving these ambitions.

Risks are identified, assessed, and managed on a regular basis using a broad range of inputs, such as: the business plan, balance sheet exposures, risk and control self-assessments, risk events, the report on internal controls (the AAF report), the compliance monitoring programme, and internal audit reports.

Key risks are considered from a top-down perspective as part of the business planning process and are reviewed and updated regularly. Emerging risks are emerging trends or potential future impacts of which the nature and timing of impact are uncertain. Emerging risks are identified from internal and external sources and consider geopolitical, macroeconomic, legal, regulatory, operational, technological, and business and strategic risks.

Key and emerging risks are reported to the Executive Committee, the Audit and Risk Committee and the Board quarterly. Key and emerging risks are a central component of the ICARA process and are used, for example, to inform LPPI's risk profile, as an input into the estimation of own funds and liquid assets, and for stress and scenario testing.

From the key and emerging risks managed throughout the year, the most significant were the following:

People risk – The attraction and retention of talent remains a key focus for LPPI. We continue to benchmark remuneration to inform pay reviews in the context of market alignment. In addition, the overall employee value proposition continues to be improved with various enhancements.

Staff pension scheme – LPPI has entered into a Fixed Rate Contribution Agreement (FRCA) with the London Pension Fund Authority (LPFA), effective 1 April 2024, to substitute the defined benefit scheme obligation with a fixed rate contribution going forward. The FRCA provides certainty of contribution rates and eliminates the potential volatility in LPPI's financial position from the valuation of the defined pension scheme.

Geopolitical risks – Current and emerging global conflicts, such as the Russia-Ukraine conflict and the Israel-Gaza-Iran conflict, continue to create significant uncertainty in financial markets. LPPI continues to monitor these risk and their potential impact on its business, the investment portfolio, and on its outsourced arrangements.

Corporate Governance Statement

Board

Board Composition

During the reporting year the Board was chaired by Sally Bridgeland until she resigned from the Board effective 31 July 2023. Jon Little was appointed as Chair effective from 1 August 2023. During the reporting year, the other Non-Executive Directors were: Margaret Ammon; Malcolm Cooper; Sarah Laessig; and Martin Tully. Executive Directors of the Board for 2023/24 were: Louise Jack (appointed 10 November 2023); Tom Richardson; Chris Rule; Adrian Taylor (stood down 30 April 2023); and Richard J Tomlinson.

At 31 March 2024 Board Directors were 33 per cent women.

Directors' Conflicts of Interest and Independence

The process by which Directors' conflicts might be authorised is set out in detail in LPPI's Articles of Association. A process for the identification, consideration of, authorisation and appropriate recording of any director conflicts of interest is in place and, in addition to the detail in the Articles of Association, this is set out in the Code of Conduct for Board Members. This LPPI-specific Code of Conduct was approved by the Board in March 2022 and most recently reviewed in August 2023. Directors declare any conflicts at the start of each Board or Committee meeting to be recorded in the minutes of the meeting and the LPPI Directors' Register of Interests and Potential Conflicts.

Activity During the Year

The Board met seven times during the year and held one away day. Several meetings were preceded by 'deep dive' presentations on different areas of the business, delivered in line with the Board approved schedule of deep dives. All quarterly meetings provided the opportunity for the Non-Executive Directors to hold informal private discussions. All meetings were well attended. The Board is responsible for overseeing the investment manager business and directing the affairs of LPPI in accordance with its Articles of Association, applicable regulatory requirements and the LPP Group's Shareholders Agreement. The Board sets the overall direction and culture of LPPI, overseeing LPPI's performance against its Business Plan. It also sets the risk appetite and framework for LPPI, ensuring a strong framework of policies and procedures is in place.

During the reporting year the Board's activity included:

- Maintaining oversight of the delivery of the Business Plan.
- Providing 'in principle' approval to launch the new Environmental Opportunities Fund in 2024/25.
- Review of LPPI's investment beliefs.
- Approving the updated Risk Appetite and Tolerances Schedule.
- Discussions on People and Culture, including diversity and inclusion, reward benchmarking, succession planning and talent management.
- Approving the Human Rights Annex to the Responsible Investments Policy.
- Approving the governance approach in relation to the requirements under Task Force on Climate-Related Financial Disclosures (TCFD).

The Board received ‘deep dive’ presentations on: LPPI’s Real Estate Fund; LPPI’s Infrastructure Fund; the Investment Process; and TCFD.

Board Evaluation

An externally facilitated Board evaluation was carried out between November 2022 and February 2023 and agreed recommendations were taken forwards during the reporting year.

Outlook for 2024/25

The Board will monitor progress against the Business Plan 2024-27 and against the new Technology and Data Roadmap.

The Board will receive LPPI’s first TCFD Entity Report and be asked to approve its publication.

The Board will also be receiving a series of reports considering enhancements to talent management, succession planning and progressing the diversity and inclusion agenda.

A formal programme of Board deep dives and briefing sessions has been developed to run throughout the year.

Committees

The Board delegates to its committees in accordance with the matters reserved to the Board and the committees’ terms of reference.

Audit and Risk Committee
Membership: Non-Executive Directors only

The Audit and Risk Committee, chaired by Malcolm Cooper, met a total of five times during the reporting year and was well attended by its four Non-Executive Director Members including the Chair of the Board as an observer.

The Committee assists the Board with its oversight responsibilities for present and emerging risks associated with the Company’s activities; and for the financial reporting process, the system of internal control, the audit process and the Company’s process for monitoring compliance with laws and regulations. During the year the Committee approved LPPI’s AAF 01/02 Type II controls assurance audit report (for the period 1 December 2022 to 31 December 2023). The Committee has confirmed that the business is satisfied that internal audit has the appropriate resources in place.

LPP Group Remuneration and Nomination Committee *(dissolved in May 2023)*
Membership: Non-Executive Directors only, from across the Group

This Group Committee was chaired by LPPI Non-Executive Director, Martin Tully with a non-executive membership from across the Group which included the LPPI Chair. The Committee met once in the reporting year prior to its dissolution in May 2023.

The Group Committee reported to the different Boards in the LPP Group and was tasked with ensuring formal, transparent and rigorous policies and procedures were in place for Executive Director remuneration and Non-Executive Director appointments. It also oversaw variable pay arrangements, guided by a Remuneration Policy and input from LPPI’s Chief Risk Officer.

LPPI Remuneration Committee *(established in June 2023)*
Membership: Non-Executive Directors only

The new LPPI Remuneration Committee, chaired by Martin Tully, met twice during the reporting year (following its establishment in June 2023) and was well attended by its three Non-Executive Director Members, which include the Chair of the Board.

This Committee has taken on the remuneration responsibilities specific to LPPI as set out above for the LPP Group Remuneration and Nomination Committee.

Executive Committee
Membership: Executive only

The Executive Committee assists the Chief Executive Officer with overseeing the activities of the Company and determining key strategic and/or operational decisions under delegation from the Board. It also provides executive leadership of the business, taking responsibility for monitoring progress against the strategic objectives and providing an escalation point for important decisions. The Executive Committee meets monthly, or more frequently as required.

During 2023/24 the Executive Committee was referred to as the Management Committee until June 2023, when the change in name and updated Terms of Reference were agreed.

Investment Committee
Membership: Executive only

This Committee met on a quarterly basis during the reporting year, with additional ad hoc meetings as required to consider investment proposals. The Investment Committee acts under delegated authority from the Board and is responsible for the monitoring of investment performance and risk analytics, investment proposals, ongoing asset management and investment strategy.

Fair Value Pricing Committee
Membership: Executive only

This Committee met on a quarterly basis with additional informal meetings held as required. The Committee's delegation from the Board is to monitor compliance with LPPI's Valuation Policy; to approve the valuation of pooled assets; to appoint and monitor the use of independent external valuers; and approve and monitor the use of valuation models developed internally or by third party valuation providers.

Funds Launch and Product Governance Committee
Membership: Executive only

This Committee meets on an ad hoc basis around fund launches and annually to review product governance. It reports on at least an annual basis to the Board following the annual product governance review. Further to the Board's in principle approval to establish or wind-up any fund, asset pool or collective investment vehicle the Committee's main duty is to provide a final 'go-live' decision and to review existing products in accordance with product governance requirements. In the reporting year it met once.

This report was approved by the Board on 23 July 2024 and signed on its behalf.

Chris Rule
Director
Date: 24 July 2024

Directors' Report
For the Year Ended 31 March 2024

The Directors present their report and the financial statements for the year ended 31 March 2024.

Directors

The Directors who served during the year were:

Margaret Ammon
Sally Bridgeland (resigned 31 July 2023)
Malcolm Cooper
Louise Jack (appointed 10 November 2023)
Sarah Laessig
Jon Little (appointed 1 August 2023)
Tom Richardson
Chris Rule
Adrian Taylor (resigned 30 April 2023)
Richard J Tomlinson
Martin Tully

Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Statement of Corporate Governance Arrangements

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

Results and Dividends

The trading result for the Company for the year is a profit after tax of £1,828k (2023: loss after tax of £940k). This trading result takes into account the non-cash accounting adjustments for the defined benefit pension scheme described in Notes 2(n) and 20. Without these the Company would have made a profit after tax of £2,406k (2023: profit after tax of £708k).

No dividends were paid during the year (2023: £nil).

Capital

LPPI has an issued share capital of 3,000,001 ordinary shares of £1.

Going Concern

After making enquiries in relation to the Company's forecasts and projects, the Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Added to this, the Company continues to have the support of its immediate parent LPP, who, if required, would be able to call upon loan facilities from its parent entities, in order to provide a capital injection into the Company. Therefore, the Directors feel that it is appropriate to adopt the going concern basis in preparing the financial statements.

Future developments

Expected future developments are set out in the strategic report on page 5.

Political or Charitable Donations

No political or charitable donations were made during the year (2023: £nil).

Research and Development

No research and development expenditure was incurred during the year (2023: £nil).

Financial Instrument Risk

During the reporting year LPPI did not use hedging or financial risk management instruments and all cash is held within bank accounts with highly rated financial institutions.

Business Relationships

Information on business relationships is provided in the Section 172(1) statement on pages 6 - 8.

Employee Engagement and Representation

Information on employee engagement is provided in the Section 172(1) statement on pages 6 - 8.

Reward and Recognition

All employees across LPPI have the opportunity to earn variable pay as part of their remuneration package. Variable pay is linked to performance ratings and considers delivery of objectives alongside conduct and behaviours in line with the LPPI valued behaviours. LPPI is committed to rewarding high performance and good conduct whilst addressing instances of poor conduct in a timely manner.

Disabled Employees

LPPI is committed to ensuring equality of opportunity and access in both employment and service arrangements. It aims to promote diversity within its workforce and ensure that its services meet the different needs of its staff and clients at all times. LPP Group has published an Equality Policy on its website. 3 per cent of LPPI's employees have reported some form of disability.

LPPI aims to ensure fairness and equality towards all applicants through objective based recruitment practices and family friendly policies to support staff during changing circumstances. This includes flexible working arrangements to support participation in religious and/or cultural events, to care for dependents or where reasonable adjustments are required to roles/working patterns to support declared disabilities. LPPI has implemented an online diversity focussed 'Getting to know you' preferences form. This encourages new joiners and current employees to optionally declare any diversity related preferences around work activities and communication which can then be discussed with their manager for reasonable adjustments to support their needs.

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

Post balance sheet events

Information on post balance sheet events is provided in note 24 on page 47.

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Grant Thornton UK LLP was reappointed as auditor of the Company, in accordance with s487 of the Companies Act 2006 by a written shareholder resolution via LPP AGM (Annual General Meeting) on 25 October 2023.

This report was approved by the Board on 23 July 2024 and signed on its behalf.

Chris Rule
Director
Date: 24 July 2024

Independent Auditors' Report to the Members of Local Pensions Partnership Investments Ltd

Opinion

We have audited the financial statements of Local Pensions Partnership Investments Ltd (the 'company') for the year ended 31 March 2024, which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006."

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as global conflicts, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors

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

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant are those that relate to the reporting frameworks, FRS 102, the Companies Act 2006 and the FCA Client Asset Rules;

- We enquired of the directors and management to obtain an understanding of how the Company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the Company’s board meetings;

- We assessed the susceptibility of the Company’s financial statements to material misstatement including how fraud might occur by evaluation management’s incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risk identified included;

  - Evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;

  - Testing journal entries, including manual journal entries processed at the year-end for financial statements preparation, and;

  - Challenging the assumptions and judgements made by management in its significant accounting estimates.

Independent Auditors' Report to the Members of Local Pensions Partnership Investments Ltd

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
  - Knowledge of the industry in which the Company operates.

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

Use of our report

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

Grant Thornton UK LLP

Paul Flatley BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 July 2024

Income Statement
For the Year Ended 31 March 2024

	Note	2024 £000	2023 £000
Turnover	4	30,009	27,920
Administrative expenses		(30,514)	(29,935)
Other operating income		242	255
Operating loss	5	(263)	(1,760)
Interest receivable and similar income	9	1,008	257
Profit/(loss) before tax		745	(1,503)
Tax on profit/(loss)	10	1,083	563
Profit/(loss) for the financial year		1,828	(940)

The notes on pages 26 to 47 form part of these financial statements.

Statement of Comprehensive Income
For the Year Ended 31 March 2024

	Note	2024 £000	2023 £000
Profit/(loss) for the financial year		1,828	(940)
Other comprehensive income			
Actuarial gain on defined benefit schemes		1,308	11,677
Movement on deferred tax relating to pension losses	19	(327)	(2,919)
Other comprehensive income for the year		981	8,758
Total comprehensive income for the year		2,809	7,818

The notes on pages 26 to 47 form part of these financial statements.

Statement of Financial Position
As at 31 March 2024

	Note	2024 £000	2023 £000
Fixed assets			
Intangible assets	11	841	830
Tangible assets	12	161	129
Investments	13	0	0
		1,002	959
Current assets			
Debtors	14	5,598	6,259
Cash at bank and in hand		28,982	24,947
Current liabilities			
Creditors: amounts falling due within one year	15	(6,923)	(6,032)
Net current assets		27,657	25,174
Total assets less current liabilities		28,659	26,133
Creditors: amounts falling due after more than one year	17	(924)	(580)
Deferred Taxation	14,19	194	(79)
Other provisions	16	(51)	(120)
Post-employment benefits		-	(285)
Net assets		27,878	25,069
Capital and reserves			
Called up share capital	18	3,000	3,000
Share premium account		10,000	10,000
Profit and loss account		14,878	12,069
Total equity		27,878	25,069

The financial statements were approved by the Board on 23 July 2024 and were signed on its behalf by:

Tom Richardson
Director
Date: 24 July 2024

The notes on pages 26 to 47 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 March 2024

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 April 2022	3,000	10,000	4,251	17,251
Comprehensive income for the year				
Loss for the year	-	-	(940)	(940)
Actuarial gains on pension scheme	-	-	8,758	8,758
Other comprehensive income for the year	-	-	8,758	8,758
Total comprehensive income for the year	-	-	7,818	7,818
At 1 April 2023	3,000	10,000	12,069	25,069
Comprehensive income for the year				
Profit for the year	-	-	1,828	1,828
Actuarial gains on pension scheme	-	-	981	981
Other comprehensive income for the year	-	-	981	981
Total comprehensive income for the year	-	-	2,809	2,809
At 31 March 2024	3,000	10,000	14,878	27,878

The notes on pages 26 to 47 form part of these financial statements.

1. General information

The Company is part of the Local Pensions Partnership Group of Companies and was formed on 21 October 2015. The Company is a wholly owned subsidiary of Local Pensions Partnership Ltd, whose other subsidiaries include Local Pensions Partnership Administration Ltd. The principal activity of the Company is the provision of management of assets on behalf of its three Local Government Pension Scheme ("LGPS") clients and GLIL Infrastructure LLP, providing economies of scale and consolidation of third-party fund managers.

The Company is a regulated entity incorporated (as a limited liability company under the laws of England and Wales) in the UK. The Registered Office is located at First Floor, 1 Finsbury Avenue, London, EC2M 2PF. The Company is authorised and regulated by the Financial Conduct Authority FRN No.724653.

The Company’s parent undertaking, Local Pensions Partnership Ltd includes the Company and the Company’s subsidiaries in its Consolidated financial statements which are prepared in accordance with United Kingdom Accounting Standards and are available to the public and may be obtained from First Floor, 1 Finsbury Avenue, London, EC2M 2PF.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (“FRS 102”) and the Companies Act 2006.

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

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

- Cash flow statement and related notes
- Related party disclosures
- Key management compensation
- Categories of financial instruments
- Items of income, expenses, gains, or losses relating to financial instruments
- Exposure to and management of financial risks relating financial instruments

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

2.2 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

2. Accounting policies (continued)

2.3 Going concern

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

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

Potential implications of the macroeconomic climate on the Company

The Directors, together with their advisors, have been actively monitoring the potential impacts on the Company arising from macroeconomic uncertainties such as ongoing global conflicts.

The Company's clients are based in the UK and most of its transactions are in Sterling, therefore the Directors do not feel that the Company is exposed to any foreign exchange risk or macroeconomic risks as a result of the ongoing global conflicts.

The Directors have considered the inherent risk mentioned above and do not believe that any material uncertainties relating to this event will impact the Company's ability to continue as a going concern.

2. Accounting policies (continued)

2.4 Summary of significant accounting policies

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

(a) Basis of Preparation

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

(b) Investment in subsidiaries and associate

The Company has claimed an exemption not to produce consolidated financial statements, under Section 9 of FRS 102 and therefore does not include the results of any subsidiary entities but merely the Company's investment in the subsidiaries. Investment in the subsidiaries and associate are held at cost less accumulated impairment losses.

(c) Intangible fixed assets

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

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

- Software costs - length of licence or 3 years

(d) Tangible fixed assets

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

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

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

(e) Debtors

These amounts generally arise from the normal operating activities of the Company. Debtors that are receivables within one year are recorded at the undiscounted amount expected to be received. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2. Accounting policies (continued)

(f) Cash at bank and in hand

Cash at bank and in hand also includes deposits held at call with banks and other short-term highly liquid investments with original maturities of three months. Bank overdrafts (which The Company does not have), when applicable, are shown within borrowings in current liabilities.

(g) Creditors

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

(h) Leases

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

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

(i) Provisions for liabilities

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

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

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

(j) Taxation

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

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

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

2. Accounting policies (continued)

(k) Turnover

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

(l) Share Capital

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

(m) Intercompany debtors and creditors

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

(n) Employee benefits

Short term benefits

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

Defined benefit pension plan

Participation by Company employees in two administered defined benefit pension scheme funds began on 8 April 2016. Contributions from the employer are payable to the schemes and are charged to the profit and loss account in the period to which they relate.

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

The liability is recognised in the statement of financial position in respect of the defined benefit scheme as the present value of the defined benefit obligation at the reporting date less the fair value of the scheme assets at the reporting date.

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

The fair value of plan assets is measured in accordance with FRS102 fair value hierarchy and in accordance with the Company’s policy for similar held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions together with the return on scheme assets, less amounts included in net interest, are disclosed as ‘Remeasurements of net defined benefit obligations’.

2. Accounting policies (continued)

The cost of the defined benefit scheme, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and

- the cost of plan introductions, benefit changes, curtailments, and settlements.

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

Annual bonus Plan

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

3. Significant judgements and estimates

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

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

(i) Taxation

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

Estimation is required by management to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with an assessment of the effect of future tax planning strategies.

(ii) Pensions liability

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

(ii) Useful economic life

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

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

4. Turnover

An analysis of turnover by class of business is as follows:

	2024 £000	2023 £000
Investment Management Fees	30,009	27,920

Analysis of turnover by country of destination:

	2024 £000	2023 £000
United Kingdom	30,009	27,920

5. Operating loss

The operating loss is stated after charging:

	2024 £000	2023 £000
Other operating lease rentals	1,064	1,073

6. Employees

Staff costs, including Directors' remuneration, were as follows:

	2024 £000	2023 £000
Wages and salaries	16,669	13,785
Social security costs	2,114	1,762
Cost of defined benefit scheme	2,632	3,533
Cost of defined contribution scheme	699	553
Staff costs charged to profit and loss	22,114	19,633

The average monthly number of employees, including the Directors, during the year was as follows:

	2024 No.	2023 No.
Company headcount (including Directors)	137	121

7. Auditors' remuneration

During the year, the Company obtained the following services from the Company's auditors and their associates:

	2024 £000	2023 £000
Included within administration expenses are:		
Audit Services:		
Audit fees payable to the Company's auditor	39	35
Non-Audit Services		
Audit-related assurance services payable to the Company's auditor	9	8

8. Directors' remuneration

	2024 £000	2023 £000
Directors' emoluments	2,115	1,928

The highest paid Director received remuneration of £620,000 (2023 - £585,000).

9. Interest receivable

	2024 £000	2023 £000
Other interest receivable	1,008	257

10. Taxation

	2024 £000	2023 £000
Corporation tax		
Current tax on profits for the year	-	108
Adjustments in respect of previous periods	(483)	27
Total current tax	(483)	135
Deferred tax		
Origination and reversal of timing differences	(364)	(575)
Adjustments in respect of previous years	(236)	(123)
Total deferred tax	(600)	(698)
Tax on profit/(loss)	(1,083)	(563)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2023 - lower than) the standard rate of corporation tax in the UK of 25% (2023 - 19%). The differences are explained below:

	2024 £000	2023 £000
Profit/(loss) on ordinary activities before tax	745	(1,503)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 -19%)	186	(286)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	9	(43)
Adjustments to tax charge in respect of prior periods - corporation tax	(483)	27
Adjustments to tax charge in respect of prior periods - deferred tax	(236)	(123)
Tax rate differential on deferred tax	-	(138)
Group relief	(559)	-
Total tax charge for the year	(1,083)	(563)

11. Intangible assets

	Assets under construction £000	Software £000	Total £000
Cost			
At 1 April 2023	283	1,025	1,308
Additions - internal	270	418	688
Disposals	(418)	-	(418)
At 31 March 2024	135	1,443	1,578
Amortisation			
At 1 April 2023	-	478	478
Charge for the year on owned assets	-	259	259
At 31 March 2024	-	737	737
Net book value			
At 31 March 2024	135	706	841
At 31 March 2023	283	547	830

12. Tangible fixed assets

	Fixtures, fittings, & office equipment £000	IT equipment £000	Total £000
Cost or valuation			
At 1 April 2023	60	322	382
Additions	10	120	130
Disposals	-	(4)	(4)
At 31 March 2024	70	438	508
Depreciation			
At 1 April 2023	53	200	253
Charge for the year on owned assets	3	91	94
At 31 March 2024	56	291	347
Net book value			
At 31 March 2024	14	147	161
At 31 March 2023	7	122	129

13. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	**Registered office**	**Principal activity**	**Class of shares**	**Holding**
LPPI Scotland (No.1) Ltd	Direct	Investments	Equity	100%
LPPI Scotland (No.2) Ltd	Direct	Investments	Equity	100%
LPPI Diversifying Strategies GP Limited	Direct	General Partner	Equity	100%
LPPI PE GP (No.1) LLP	Indirect	General Partner	Debt	100%
LPPI PE GP (No.2) LLP	Indirect	General Partner	Debt	100%
LPPI PE GP (No.3) LLP	Indirect	General Partner	Debt	100%
LPPI Infrastructure GP LLP	Indirect	General Partner	Debt	100%
LPPI Credit GP Limited	Indirect	General Partner	Equity	100%

The indirect subsidiaries are held jointly by LPPI Scotland (No.1) Ltd and LPPI Scotland (No.2) Ltd.

Indirect Associate - The London Fund GP LLP - 49% debt investment held

Country of incorporation for all entities is United Kingdom.

14. Debtors

	2024 £000	2023 £000
Trade debtors	1,365	2,483
Amounts owed by group undertakings	68	-
Other debtors	235	235
Prepayments and accrued income	3,628	3,496
Tax recoverable	302	45
Deferred taxation	194	-
Total	5,792	6,259

15. Creditors: Amounts falling due within one year

	2024 £000	2023 £000
Trade creditors	306	268
Amounts owed to group undertakings	241	368
Other taxation and social security	491	530
Other creditors	680	513
Accruals and deferred income	5,205	4,353
Total	6,923	6,032

16. Provisions for other liabilities

	£000
At 1 April 2023	120
Released in year	(69)
At 31 March 2024	51

The above relates to reorganisational costs that are expected to be fully utilised and paid by 31 March 2025.

17. Creditors: Amounts falling due after more than one year

	2024 £000	2023 £000
Deferred remuneration	924	580
	924	580

18. Share capital

	2024 £000	2023 £000
Allotted, called up and fully paid		
3,000,001 (2023 -3,000,001) Ordinary shares of £1 each	3,000	3,000

19. Deferred taxation

	2024 £000
At beginning of year	(79)
Charged to profit or loss	380
Charged to other comprehensive income	(107)
At end of year	194

The deferred taxation balance is made up as follows:

	2024 £000	2023 £000
Accelerated capital allowances	(207)	(110)
Pension surplus	170	53
Deferred Remuneration	231	(22)
Total	194	(79)

20. Post-Employment Benefits

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. Currently, each member contributes a proportion of their salary to the scheme, between 5.5% to 12.5% per annum depending on their rate of pay. LPPI, as the employing body, also contributes to the scheme as determined by each Fund's respective Fund Actuary on the employee's behalf, set at 11.0% and 15.4% of salary per annum. The liabilities of the LGPS attributable to the Company are included in the Statement of Financial Position.

In accounting for the defined benefit schemes, the Company has applied the principle that no pension assets are invested in the Company's own financial instruments or property.

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

• Investment risk. The Funds hold investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;

• Interest rate risk. The Funds' liabilities for accounting purposes are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Funds hold assets such as equities the value of the assets and liabilities will not move in the same way;

• Inflation risk. The benefits under the Funds are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation;

• Longevity risk. If the members are expected to live longer than previously assumed a deficit will emerge. There is also other demographic risk; and

• Salary risk. The present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

On 30 March 2024, the LPPI-LCPF scheme ceased, with active members transferring to the LPPI-LPFA scheme on 31 March 2024.

The principal actuarial assumptions used were as follows:

	LPFA 2024 %	LPFA 2023 %	LCPF 2024 %	LCPF 2023 %
Discount rate	5.0	4.8	4.9	4.8
Future salary increases	3.9	3.9	4.1	4.2
Future pension increases (CPI)	2.9	2.9	2.6	2.8
Inflation assumption (RPI)	3.1	3.7	-	3.4

	LPFA 2024	LPFA 2023	LCPF 2024	LCPF 2023
Longevity at age 65 for current pensioners	-	-	-	-
-Men	21.9	22.1	21.1	21.5
-Women	24.3	24.5	23.5	23.8

	LPFA 2024	LPFA 2023	LCPF 2024	LCPF 2023
Longevity at age 65 for future pensioners	-	-	-	-
-Men	23.2	23.5	22.4	22.8
-Women	25.7	25.9	25.3	25.6

Post-employment benefits summary

	LPFA 2024 £000	LPFA 2023 £000	LCPF 2024 £000	LCPF 2023 £000
Fair value of plan assets	15,305	10,505	-	4,937
Defined benefit obligation	(14,865)	(10,780)	-	(4,947)
Impact of asset ceiling	(440)	-	-	-
Net defined benefit liability	-	(275)	-	(10)

Reconciliation of defined benefit obligation

	LPFA 2024 £000	LPFA 2023 £000	LCPF 2024 £000	LCPF 2023 £000
Defined benefit obligation at start of year	10,780	15,656	4,947	6,762
Current service cost	914	2,481	89	309
Benefits (paid) / received	(29)	(167)	(125)	-
Contributions by employees	604	504	54	76
Interest cost	531	406	236	192
Scheme (settlements)/introductions	2,450	35	(4,928)	-
Curtailments	-	171	-	389
Remeasurements				
Effect of changes in financial assumptions	(684)	(12,727)	(233)	(3,491)
Effect of changes in demographic assumptions	(140)	(273)	(51)	(140)
Effect of experience adjustments	439	4,694	11	850
Defined benefit obligation at end of year	14,865	10,780	-	4,947

Reconciliation of fair value of plan assets

	LPFA 2024 £000	LPFA 2023 £000	LCPF 2024 £000	LCPF 2023 £000
Fair value of plan assets at beginning of year	10,505	8,549	4,937	4,242
Benefits (paid) / received	(29)	(167)	(125)	-
Interest income on scheme assets - employer	536	232	238	127
Administrative expenses and taxes	(3)	(3)	(4)	(5)
Employer contributions	774	760	631	526
Contributions by employees	604	504	54	76
Scheme (settlements)/introductions	2,391	11	(5,854)	-
Remeasurements				
Return on scheme assets less interest income	527	(112)	123	(29)
Effect of changes in other actuarial gains	-	731	-	-
Fair value of plan assets at end of year	15,305	10,505	-	4,937

Analysis of assets

	LPFA 2024 £000	LPFA 2023 £000	LCPF 2024 £000	LCPF 2023 £000
Equity	8,193	5,288	-	2,351
Private Equity	1,077	818	-	410
Diversifying strategies	449	914	-	54
Real Estate	1,398	1,020	-	434
Infrastructure	1,756	1,314	-	770
Fixed income	373	108	-	69
Credit	1,819	1,029	-	716
Cash and Other	240	14	-	133
Total assets	15,305	10,505	-	4,937

Defined benefit costs recognised in income statement

	LPFA 2024 £000	LPFA 2023 £000	LCPF 2024 £000	LCPF 2023 £000
Current service cost	914	2,481	89	309
Curtailments	-	171	-	389
Net interest on defined liability	(5)	174	(2)	65
Administrative expenses and taxes	3	3	4	5
Scheme (settlements)/introductions	59	24	926	-
Total recognised in income statement	971	2,853	1,017	768

Defined benefit (gain)/loss recognised in other comprehensive income

	LPFA 2024 £000	LPFA 2023 £000	LCPF 2024 £000	LCPF 2023 £000
Return on scheme assets less interest income	(527)	112	-	29
Effect of changes in financial assumptions	(684)	(12,727)	-	(3,491)
Effect of changes in demographic assumptions	(140)	(273)	-	(140)
Effect of experience adjustments	439	4,694	-	850
Other actuarial gains	-	(731)	(396)	-
Changes in effect of asset ceiling	440	-	-	-
Total defined benefit (gain)/loss	(472)	(8,925)	(396)	(2,752)

Sensitivity analysis

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

Approximate increase to defined benefit obligation

	LPFA %	LPFA £000
0.10% decrease in discount rate	2.70	402
0.10% increase in long-term salary increases	0.13	19
0.10% increase in pension increases	2.63	391
+1.00 year in life expectancy assumption	2.60	387

Reconciliation of funded position:

	LPFA £000	LCPF £000	Total £000
Net defined benefit liability at start of the year	(275)	(10)	(285)
Expense recognised in profit and loss	(971)	(1,017)	(1,988)
Gain recognised in OCI	531	1,322	1,853
Transfer of assets and liabilities	(59)	(926)	(985)
Contributions by the Company	774	631	1,405
Net defined benefit (liability)/asset at end of the year	-	-	-

No amounts were included in the cost of assets (2023: £Nil).

No amounts included in assets relate to property leased by LPPA (2023: £Nil).

Total Post-employment benefits position

	2024 £000	2023 £000
Fair value of plan assets	15,305	15,442
Defined benefit obligation	(15,305)	(15,727)
Net defined benefit (liability)/asset	-	(285)

21. Commitments under operating leases

At 31 March 2024 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2024 £000	2023 £000
Not later than 1 year	1,486	1,303
Later than 1 year and not later than 5 years	2,967	1,866
	4,453	3,169

22. Related party transactions

In accordance with Section 33 of FRS102, the Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group. Excluding the parent company, there were no related party transactions with non-wholly owned companies with the Group.

23. Controlling party

The Company's immediate parent is LPP, a company incorporated in the United Kingdom and registered in England and Wales. The ultimate controlling parties are LPFA and LCC. LPP is the parent undertaking of the smallest and largest group to wholly consolidate these financial statements. These financial statements are available upon request from the Company Secretary, Local Pensions Partnership Ltd, First Floor, 1 Finsbury Avenue, London EC2M 2PF.

24. Post balance sheet events

On 1 April 2024, a new pension fund admission agreement commenced between LPPI and LPFA that agreed new terms in relation to the LPPI-LPFA defined benefit pension scheme ("pension scheme"). Under this new agreement, from the date of signing, LPPI agrees to pay a fixed rate contribution to LPFA and will no longer account for the pension scheme as a defined benefit scheme under FRS102, but rather a defined contribution scheme. There will be no defined benefit asset/liability on the statement of financial position from 1 April 2024.