

LONDON PENSIONS FUND AUTHORITY

STATEMENT OF OPERATIONAL & RESIDUAL LIABILITIES
ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

Information

Directors	John Preston (Chairman) (appointed 1 January 2020) Sir Merrick Cockell (Chairman) (retired 31 December 2019) Terence Jagger Dermot McMullan Tamlyn Nall Nigel Topping (resigned 31 January 2020) Dr Barbara Weber Tony Newman Ruth Dombey Christina Thompson
Chief Executive Officer	Robert Branagh
Commercial and Finance Director	Morenike Ajayi (appointed 9 September 2019)
S151 Officer	Abigail Leech
Business Address	2nd Floor 169 Union Street London SE1 0LL
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 110 Bishopgate London EC2N 4AY
Bankers	Lloyds Bank 4th Floor 25 Gresham Street London EC2V 7HN
Lawyers	Eversheds Sutherland Eversheds House 70 Great Bridgewater Street Manchester M1 5ES

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

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London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

1 Narrative Report 31 March 2020

Format of the Statement of Accounts

The primary function of the London Pensions Fund Authority (LPFA) is as an Administering Authority within the Local Government Pension Scheme.

The LPFA's Statement of Operational and Residual Liabilities Accounts for the financial year 2019/20 consist of:

- the **Statement of Responsibilities**; and
- two separate sets of financial statements:

The **Group Operational Accounts** represent the cost of the governance and administration of the pension scheme and residual liabilities and the recharge of these costs to the Pension Fund and the Residual Liabilities Accounts.

The Residual Liabilities Accounts detail the provisions created to settle the liabilities of the Greater London Council ('GLC') to pay past employees of the GLC and Inner London Educational authority ('ILEA') who have become injured due to exposure to asbestos. The past employees are paid via the pensions payroll and the costs are then recharged to the Residual accounts, which funds these costs via a levy.

The Group Operational Accounts and Residual Liabilities Accounts consist of:

The **Comprehensive Income and Expenditure Account** which is a summary of the resources generated and consumed by the LPFA in the year. The statement shows the accounting costs in the year of providing services in accordance with the generally accepted accounting practices. The LPFA does not raise taxation to cover expenditure.

The **Balance Sheet** which sets out the financial position of the LPFA at 31 March 2020. The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the LPFA. The net assets of the LPFA (assets less liabilities) are matched by the reserves held by the LPFA.

The **Cash Flow Statement** shows the changes in cash and cash equivalent assets of the LPFA during the reporting period. The statement shows how the LPFA generates and uses cash and cash equivalents by classifying cash flows as operating and financing activities. The overall total agrees to the Cash position shown in the balance sheet.

Movement in Reserves Statement - a summary of the changes to the Authority's reserves over the course of the year. Reserves are divided into 'usable', which can be invested in projects or service improvements, and 'unusable', which must be set aside for specific purposes.

The **Notes to support the Accounts**.

Funding

The LPFA incurs costs in the discharge of its functions as the administering authority of the Fund. These costs are detailed in the Operational Account. In accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the LPFA charges its costs to the Fund under its management as they are incurred and there is no formal recharge procedure.

Any costs, charges and expenses incurred in administering the Residual Liabilities are met by the Levy on the Greater London and Inner London authorities.

Review of the Statements

The 2019/20 budget is part of the Medium Term Financial Plan (MTFP). It received initial approval from the Board in December 2018 and was submitted to the Mayor of London for comment. The final budget was approved by the Board in February 2019.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

1 Narrative Report (continued)

Operational actual results compared to budget

Operational accounts	Actual	Budget	Variance
	2019/20	2019/20	2019/20
	£000	£000	£000
Administration			
Administration services fee per LPP SLA	1,860	1,860	-
Other Administrative services	5	-	(5)
Total administration	1,865	1,860	(5)
Oversight & governance			
Board	181	233	52
Executive Ccmmitee	203	169	(34)
Governance services fee per LPP SLA	750	750	-
Risk services LPP SLA	961	961	-
Central corporate costs	701	1,087	386
Pension past service costs	297	291	(6)
Total Oversight & governance	3,093	3,491	398
Total operational costs	4,958	5,351	393
Funded by:			
Charge made to pension fund	(4,765)	(4,765)	-
Recharge to Residual Liabilities	(586)	(586)	-
Total funding	(5,351)	(5,351)	-
Net deficit/(surplus)	(393)	-	393

Overview of the year

The Operational result for the year is a net surplus of £393k rather than the break-even result budgeted for the year. This includes deficit contributions but excludes LPP, the IAS19 adjustments and the actuarial deficit.

The results are better than budgeted mainly because Central Corporate costs are £385k, 35.4% below budget and Board costs are £52k, 22.4% below budget. The favourable results are largely due to staff vacancies within Central Corporate costs that were filled part way through the year and underspends related to bulk postage and consultancy fees.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

1 Narrative Report (continued)

Residual Liabilities actual results compared to budget

LPFA is responsible for compensation payments in respect of former Greater London Council (GLC), Inner London Education Authority (ILEA) and London Residual Body (LRB) staff. These payments are not chargeable to the pension fund and are recovered by a levy on London boroughs. These budgets contain significant uncertainties in the form of injury claims for asbestosis, dating back to the GLC and ILEA. The LPFA has established a significant provision for known and expected claims, the costs of which will be met through the levy on London boroughs.

Greater London

The budgeted levy requirement in 2019/20 was £10.3m. Pension costs were higher than expected and the draw down on the asbestosis provision was less than budget. However it remains extremely difficult to forecast the sums likely to be paid, both in year and over the longer term, on dealing with asbestosis claims. The LPFA has engaged an expert advisor to support the management of claims as they are submitted, and to agree estimates of future claims.

Greater London Levy	Actual	Budget	Variance
	£000	£000	£000
Pension retirement costs	(8,734)	(6,164)	(2,570)
Management expenses	(249)	(249)	-
Asbestosis provision (known cases + direct costs)	(1,069)	(3,037)	1,968
Interest payable and receivable	354	319	35
Levy	10,318	10,318	-
Net inflow/(outflow) to balances	620	1,187	(567)

Inner London

The budgeted levy requirement in 2019/20 was £13.1m. As with the Greater London budget pension costs were higher than expected. The asbestosis provision spending was also significantly below budget. However, again as on the Greater London levy, the asbestosis claims remain a significant variable factor and this led to reduction in the asbestosis provision.

Inner London Levy	Actual	Budget	Variance
	£000	£000	£000
Pension retirement costs	(8,781)	(10,475)	1,694
Management expenses	(337)	(336)	(1)
Asbestosis provision (known cases + direct costs)	(63)	(268)	205
Interest payable and receivable	(2)	43	(45)
Levy	13,065	13,065	-
Net inflow/(outflow) to balances	3,882	2,029	1,853

During the year the Listed London County Council 2.5% and 3% 1920 Loan stocks were redeemed on 1 March 2020 with a payment date of 2 March 2020. The debt was delisted from the London Stock Exchange on 30 March 2020. This removes the requirement to have a Public Interest Entity audit as it is no longer a Public Interest Entity per the FRC guidance, which covered both Residual Liabilities and Operational accounts.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

1 Narrative Report (continued)

Date the Statement of Accounts were authorised for issue

The Statement of Accounts were authorised for issue by the Audit and Risk Committee on 16 November 2020. Post balance sheet events have been considered up to the date the accounts were signed off by the auditor.

Further information

Further information about these accounts is available from London Pensions Fund Authority, 2nd Floor, 169 Union Street, London SE1 0LL. In addition further information on the LPFA performance in service and corporate areas can be seen alongside a summarised version of the accounts in the LPFA Annual Report, which can be requested at the address above.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

FOR THE YEAR ENDED 31 MARCH 2020

2 Statement of Responsibilities for the Statement of Accounts

LPFA's responsibilities

LPFA is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has responsibility for the administration of those affairs (the "Section 151 officer").
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Section 151 Officer's responsibilities

At LPFA the Section 151 Officer is responsible for:

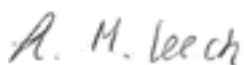
- The preparation of the LPFA's Statement of Accounts in accordance with proper accounting practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom
- Keeping proper financial records and accounts and maintaining an effective system of financial control

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and applied them consistently
- Made judgments that were reasonable and prudent
- Taken reasonable steps for the prevention and/or detection of fraud and/or other irregularities
- Complied with the code

Certificate of approval

I certify that the Statement of Accounts presents a true and fair view of the financial position of the LPFA at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.



.....
Abigail Leech, Section 151 Officer

Dated: 18 December 2020

Independent auditor's report to the members of the London Pensions Fund Authority

Report on the Audit of the Group Operational Account Financial Statements

Opinion

We have audited the financial statements of the London Pensions Fund Authority Pension Fund (the 'pension fund') administered by the London Pensions Fund Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

Independent auditor's report to the members of the London Pensions Fund Authority

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Independent auditor's report to the members of the London Pensions Fund Authority

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Independent auditor's report to the members of the London Pensions Fund Authority

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the London Pensions Fund Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ciaran T McLaughlin

Ciaran McLaughlin, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

Dated: 21 December 2020

Independent auditor's report to the members of the London Pensions Fund Authority

Report on the Audit of the Residual Liability Financial Statements

Opinion

We have audited the Residual Liability financial statements of the London Pensions Fund Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Statement of Movement in Reserves, the Comprehensive Income and Expenditure Statement, the Statement of Financial Position, the Cashflow Statement 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 the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Section 151 Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

Independent auditor's report to the members of the London Pensions Fund Authority

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Other information

The Section 151 Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Independent auditor's report to the members of the London Pensions Fund Authority

Responsibilities of the Authority, the Section 151 Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 8, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer. The Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Independent auditor's report to the members of the London Pensions Fund Authority

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the London Pensions Fund Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ciaran T McLaughlin

Ciaran McLaughlin, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
London

Dated: 21 December 2020

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

Group Operational Accounts

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

9. Group Operational Account

Group Statement of Movement in Reserves

	Pension Reserve	Total Unusable Reserves	General Reserve	Equity Interest in Joint Venture	New Premises Reserve	Total Usable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019 brought forward	(14,261)	(14,261)	(2,765)	-	400	(2,365)	(16,626)
Surplus or (deficit) on provision of services	-	-	220	-	-	220	220
Share of tax	-	-	58	-	-	58	58
Net increase before transfers to earmarked reserves	-	-	277	-	-	277	277
Transfers to/from earmarked reserves	-	-	400	-	(400)	-	-
Remeasurements of the net defined benefit liability	637	637	-	-	-	-	637
Other movement - joint venture	-	-	(573)	-	-	(573)	(573)
Non-voting X shares	-	-	-	12,500	-	12,500	12,500
Movement in year	(209)	(209)	209	-	-	209	-
Increase/ (decrease) in year	428	428	314	12,500	(400)	12,414	12,842
Balance at 31 March 2020 carried forward	(13,833)	(13,833)	(2,451)	12,500	-	10,049	(3,784)

Group Statement of Movement in Reserves

	Pension Reserve	Total Unusable Reserves	General Reserve	Capital Contrib. reserve	New Premises Reserve	Total Usable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018 brought forward	(15,630)	(15,630)	(2,684)	448	400	(1,837)	(17,467)
Surplus or (deficit) on provision of services	-	-	(553)	-	-	(553)	(553)
Share of Tax	-	-	(9)	-	-	(9)	(9)
Net increase before transfers to earmarked reserves	-	-	(562)	-	-	(562)	(562)
Transfers to/from earmarked reserves	-	-	448	(448)	-	-	-
Remeasurements of the net defined benefit liability	1,570	1,570	-	-	-	-	1,570
Other movement - joint venture	-	-	(168)	-	-	(168)	(168)
Movement in year	(201)	(201)	201	-	-	201	-
Increase/ (decrease) in year	1,369	1,369	(81)	(448)	-	(529)	840
Balance at 31 March 2019 carried forward	(14,261)	(14,261)	(2,765)	-	400	(2,366)	(16,626)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

9. Group Operational Account

Entity Statement of Movement in Reserves

	Pension Reserve	Total Unusable Reserves	General Reserve	New Premises Reserve	Total Usable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2019 brought forward	(14,261)	(14,261)	873	400	1,273	(12,988)
Surplus or (deficit) on provision of services	-	-	123	-	123	123
Net increase before transfers to earmarked reserves	-	-	123	-	123	123
Transfers to/from earmarked reserves	-	-	400	(400)	-	-
Remeasurements of the net defined benefit liability	637	637	-	-	-	637
Movement in year	(209)	(209)	209	-	209	-
Increase/ (decrease) in year	428	428	732	(400)	332	760
Balance at 31 March 2020 carried forward	(13,833)	(13,833)	1,605	-	1,605	(12,228)

Entity Statement of Movement in Reserves

	Pension Reserve	Total Unusable Reserves	General Reserve	Capital Contrib. reserve	New Premises Reserve	Total Usable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2018 brought forward	(15,630)	(15,630)	888	448	400	1,736	(13,894)
Surplus or (deficit) on provision of services	-	-	(664)	-	-	(664)	(664)
Net increase before transfers to earmarked reserves	-	-	(664)	-	-	(664)	(664)
Transfers to/from earmarked reserves	-	-	448	(448)	-	-	-
Remeasurements of the net defined benefit liability	1,570	1,570	-	-	-	-	1,570
Movement in year	(201)	(201)	201	-	-	201	-
Increase/ (decrease) in year	1,369	1,369	(15)	(448)	-	(463)	906
Balance at 31 March 2019 carried forward	(14,261)	(14,261)	873	-	400	1,273	(12,988)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

9. Group Operational Account

Group Operational Account, Comprehensive Income & Expenditure Statement for the year ended to 31 March 2020

31 March 2019	31 March 2019		Notes	31 March 2020	31 March 2020
Group	Entity			Group	Entity
£'000	£'000			£'000	£'000
4,017	4,017	Income	5	5,351	5,351
36	36	Other income		3	3
(4,292)	(4,292)	Expenditure	6-10	(4,861)	(4,861)
(239)	(239)	Income from services/ (cost of services)		493	493
(425)	(425)	Financing and investment Income and expenditure		(370)	(370)
(664)	(664)	Surplus/(deficit) on provision of services		123	123
111	-	Share of surplus on provision of services by LPP Joint Venture	13	97	-
(553)	(664)	Group Surplus		220	123
(9)	-	- Tax (expense)/credit of LPP Joint Venture	13	58	-
(562)	(664)	Surplus/(deficit) for the financial year		278	123
		Items that will not be reclassified to surplus/ (deficit)			
1,570	1,570	Actuarial gain on pension assets/liabilities	11	637	637
(202)	-	- Share of actuarial loss of LPP Joint Venture	13	(707)	-
35	-	- Deferred tax on actuarial loss in LPP Joint Venture	13	134	-
1,403	1,570	Other comprehensive income and expenditure		64	637
840	906	Total comprehensive income and expenditure		342	760

Financing and Investment Income and Expenditure is the net interest on the defined benefit liability and the nominal administration cost.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

9. Group Operational Account

Group Statement of Financial Position as at 31 March 2020

31 March 2019 Group	31 March 2019 Entity		Notes	31 March 2020 Group	31 March 2020 Entity
£'000	£'000			£'000	£'000
-	-	- Share of net assets in Joint Venture	13	8,444	-
-	-	- Non-current assets		8,444	-
788	788	Debtors	15	538	538
1,603	1,603	Bank	17	2,460	2,459
2,391	2,391	Current assets		2,998	2,997
(1,118)	(1,118)	Creditors	16	(1,392)	(1,392)
(1,118)	(1,118)	Current liabilities		(1,392)	(1,392)
		Non-current liabilities			
(14,261)	(14,261)	Pension liability	11	(13,833)	(13,833)
(3,638)	-	- Share of provision in Joint Venture	13	-	-
(16,626)	(12,988)	Net assets		(3,784)	(12,228)
		Reserves			
(2,765)	873	General reserve		(2,451)	1,605
400	400	New premises reserve		-	-
-	-	- Non-voting equity Interest in Joint Venture	13	12,500	-
		Unusable reserves			
(14,261)	(14,261)	Pension reserve	11	(13,833)	(13,833)
(16,626)	(12,988)			(3,784)	(12,228)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

9. Group Operational Account

Group Accounts Cashflow Statement for the year ended 31 March 2020

31 March 2019	31 March 2019		Notes	31 March 2020	31 March 2020
Group	Entity			Group	Entity
£'000	£'000			£'000	£'000
(562)	(664)	Net surplus/(deficit) on the provision of services		278	123
(179)	(77)	Adjustments to net surplus/(deficit) on the provision of services for non-cash movements	12	579	733
(741)	(741)	Net cash flows from operating activities		857	856
(6)	(6)	Investing activities - acquisition on non-current assets		-	-
29	29	Proceeds from disposal of fixed assets		-	-
(718)	(718)	Net increase or (decrease) in cash and cash equivalents		857	856
2,321	2,321	Cash and cash equivalents at the beginning of the year		1,603	1,603
1,603	1,603	Cash and cash equivalents at the end of the year	17	2,460	2,459

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational Accounts

General information

The operational costs incurred by LPFA in administering the pension fund, residual liabilities fund and agency contracts are accumulated in the operational accounts and are reimbursed from the respective source.

1. Summary of significant accounting policies

General principles

The Statement of Accounts summarises LPFA's transactions for the 2019/20 financial year and its position at year-end of 31 March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based upon International Financial Reporting Standards (IFRS).

The accounting convention adopted is historical cost.

The financial statements and accounts have been prepared on a going concern basis.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular.

Fees and charges are accounted for as income at the date LPFA provides the relevant services.

Supplies are recorded as expenditure when they are consumed.

Where income or expenditure has been recognised but cash has not been received or paid, a receivable or payable for the relevant amount is recorded in the statement of financial position. Where it is doubtful that debts will be settled, the balance of receivables is written down and a charge is made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

Cash balances not required for immediate use are invested in accordance with LPFA's Treasury Management Strategy. Interest earned on LPFA's balances is credited to the Comprehensive Income and Expenditure Statement during the year and appropriate accruals are made at year-end.

Employee benefits

Benefits payable during employment

Employee benefits are those due to be settled in the financial year. They include salaries, bonuses, paid annual leave and paid sick leave for employees and are recognised as an expense in the year in which the employee renders services to LPFA. An accrual is made for leave and flexi-time carry-forward at the end of the financial year. This is reversed out through the movement in reserves statement.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational Accounts

Post-employment benefits

LPFA participates in the Local Government Pension Scheme (LGPS) administered by LPFA. This is a funded, defined benefit scheme. Employees' and employers' contributions are paid in to the LGPS. Employers' contribution rates are advised by the LPFA Fund's Actuary, Barnett Waddingham. The pension liabilities of the LPFA are included on the statement of financial position on an actuarial basis i.e. an assessment of the future payments (retirement benefits) based on assumptions made by the Actuary about mortality rates, employee turnover rates etc. and projections of earnings for current employees.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities under IAS 19. In line with directions from Government, future pensions liabilities are now measured using the Consumer Prices Index. The Code of Practice requires the net pensions asset or liability be matched by a pensions reserve in the statement of financial position.

The movement in the defined benefit obligation is analysed into the following components:

- Service cost: the increase in the present value of a defined benefit obligation (liabilities) resulting from employee service in the current period;
- Interest cost: the change during the period in the defined benefit liability that arises from the passage of time;
- Change in financial assumptions: changes in the present value of the defined benefit obligation resulting from a change in financial assumptions made by the actuary;
- Change in demographic assumptions: changes in the present value of the defined benefit obligation resulting from a change in demographic assumptions made by the Actuary;
- Experience loss/(gain) on defined benefit obligation: changes in the present value of the defined benefit obligation resulting from the effects of the differences between the previous actuarial assumptions and what has actually occurred;
- Estimated benefits paid (net of transfers in): Payments to discharge liabilities directly to pensioners; and
- Contributions by scheme participants: the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

Provisions

Provisions are made where an event has taken place that gives LPFA an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the comprehensive income and expenditure statement in the year that LPFA becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged directly to the provision set up on the Statement of Financial Position. Estimated settlements are reviewed at the end of each financial year and the provision increased or reversed back to the revenue account if it becomes more likely than not that a transfer of benefits will not be made or a lower settlement than anticipated could be made.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational Accounts

Contingent liabilities

Contingent liabilities arise where an event has taken place that gives LPFA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LPFA. These are not recognised as liabilities in the accounts but disclosed in the financial statements where it is probable that an outflow of economic benefit to settle the obligation is more than remote.

Value Added Tax

LPFA is VAT registered, so all income and expenditure amounts exclude VAT, with the exception of where VAT is not fully recoverable.

Financial assets / liabilities

Financial assets are included in the Statement of Financial Position on a fair value basis as at the reporting date in accordance with IFRS 9. The asset is recognised in the Statement of Financial Position on the date the entity becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value are recognised by the entity in the profit and loss account.

Financial Assets/Liabilities represents transactions, with a contract, that result in a financial asset for one entity and a financial liability for another.

Financial assets are recognised by LPFA on the Statement of Financial Position, initially at their fair value, only when goods or services have been provided or rendered to a third party.

Financial liabilities are recognised, initially at their fair value, when the goods or services ordered from a third party have been received by LPFA and the third party has performed its contractual obligations.

Joint venture

LPFA has a joint venture, LPP, with the Lancashire County Pension Fund. This LPP and its subsidiaries were incorporated on 9 October 2015 and the joint venture was established on 8 April 2016. It is owned in equal shares by LPFA and the Lancashire County Council. LPP manages the administration and investment functions on behalf of the two funds.

In the accounts of the entity the value of the investment in LPP is disclosed at cost, being £1. The cost of acquisition was £1 as LPP was acquired as a start up.

Group Accounts have been included recognising the LPFA's significant interest in the LPP. As a Joint Venture, the LPP is consolidated into the Fund's Group Accounts using the equity method in accordance with IAS28. The judgement in defining LPP as a Joint Venture is reached due LPP being an arrangement under which two (or more) parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control, and the two Funds have rights to the net assets of the arrangement. This remains the case in 2019/20.

As the Joint Venture is consolidated using the equity method of accounting, the results for the year before tax appear as one line in the Comprehensive income statement as 'Share of Surplus on the Provision of Services by LPP Joint Venture and one line in the Statement of Financial Position, being Share of Net Assets/ (Provision) in the Joint Venture. Therefore there is no difference between the Group and the Entity for all other items of income, expenditure, assets and liabilities. This is reflected in the notes showing one figure for both the group and the entity.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational Accounts

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the General Fund Balance in the Movement on Reserves Statement. Where expenditure to be financed from a reserve is incurred, it is charged to the Comprehensive Income and Expenditure Statement and the reserve is then applied to offset this charge.

General reserve

The General Reserve is a usable reserve. During the year four reserves were transferred into the General Reserve, these reserves being: the Business Reserve, the Innovations Reserve, the Organisational Development Reserve and the Valuation Reserve.

Pension reserve

The Pension Reserve has been set up to ring-fence the accounting for the pension costs. It merely represents the actuarially calculated deficit between the value of all pension liabilities and the assets held.

2. Accounting standards issued, but not yet adopted

There are no relevant standards that have been issued but not adopted during the year

3. Financial risk management

There is a robust budget setting process in place that includes: strategic business direction set by the Board, budget challenge by both Officers and the Audit and Risk Committee prior to the draft budget being presented to Board for its initial comment and approval prior to dispatch to the Mayor of London for formal consultation. Subsequently a revised budget paper, including comments and other changes is presented back to Board for final approval. The budget contains income generated from commercial contracts and assumptions have been made regarding renewal of those contracts. During the course of the year, as contracts are renewed, or not, then actual events may not accurately reflect the assumptions allowed for in the budget. Events affecting commercial contracts are reviewed as they happen and on a monthly basis as part of the budget monitoring arrangements.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational Accounts

4. Critical accounting judgements and estimates

Pensions liability

Estimation of the net liability to pay pensions depend 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. A firm of consulting actuaries are engaged to provide LPFA 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.

Pensions liability guarantee

The LPFA has provided a guarantee, under the Admission Agreements, to settle the LPP, LPPI and LPPA pension deficits in the event of both entities ceasing to trade and exiting the LGPS. To determine how this guarantee is treated within the LPFA financial statements requires several judgements to be made regarding the balance between financial risks such as the discount rate and non financial risks from such things as changes in life expectancy or final salaries of members. The non-financial risks falls within the definition of an insurance contract under IFRS 4. As the financial and non-financial risks are both significant, the guarantee has not been deemed to be a derivative under IAS 39. IAS 37 excludes obligations and contingencies arising from insurance contracts, but it does apply to other provisions, contingent liabilities and contingent assets of an insurer. The LPFA Admissions Agreement states that LPFA is providing a guarantee if LPP exits the LGPS. In such an event LPFA would suffer a loss equivalent to the amount required to settle the pensions liability. After consideration of IAS 28 and IAS 37, the possible liability to settle the pension deficit within LPP should be disclosed in the LPFA financial statements, as a contingent liability in accordance with IAS 37 due to the very low probability of a cessation event triggering the LPFA guarantee.

Joint venture

The LPFA has to make a judgement regarding the level of control exercised over LPP and whether it is a joint operation or a joint venture to determine whether it is eligible to treat it as a joint venture under FRS11. As a joint operation the LPFA would have rights to the assets and obligations relating to the liabilities of LPP, whereas as a joint venture it has rights to a proportion of the net assets of the entity. The LPFA have determined that the arrangement is that of a joint venture.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

5. Income

2018/19	2019/20
£'000	£'000
3,864 Management Fee	4,765
(448) Funded by Pension Fund	-
601 Funded by Residual Liabilities	586
4,017	5,351

6. Remuneration and other costs - Board members

2018/19	2019/20
£'000	£'000
154 Remuneration	146
11 Employers NI contributions	9
8 Reimbursable Expenses	13
173	168

7. Remuneration was paid to the board in the following bands:

2018/19	2019/20
1 Up to £5,000	-
4 £5,001 to £10,000	1
3 £10,001 to £15,000	7
1 £15,001 to £20,000	1
- £35,001 to £40,000	1
1 £50,001 to £55,000	-

8. Remuneration and other costs - employees

2018/19	2019/20
£'000	£'000
178 Remuneration	345
19 Employers NI contributions	41
22 Reimbursable Expenses	35
90 IAS 19 Current service costs	203
- Temporary staff	37
21 Training costs	2
- Recruitment costs	49
(1) Other employee related costs	2
329	714

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

8a. Disclosure of emoluments for senior employees

The following table sets out the remuneration disclosures for Senior Officers whose salary is greater than £50,000 per year.

31 March 2020					
Post Holder	Salary (including fees & allowances)	Bonus	Total remuneration	Pension contributions	Total emoluments
	£	£		£	£
Chief Executive Officer	135,324	26,400	161,724	18,720	180,444

31 March 2019					
Post Holder	Salary (including fees & allowances)	Bonus	Total remuneration	Pension contributions	Total emoluments
	£			£	£
Managing Director	122,769	24,000	146,769	14,732	161,501

The description of the post changed from Managing Director to Chief Executive Officer but the post holder remained the same.

The number of other senior employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 as follows:

2018/19 Number of employees	Remuneration bands	2019/20 Number of employees
1	£50,000 - £54,999	-
-	£60,000 - £64,999	1
1	£145,000 - £149,999	-
-	£160,000 - £164,999	1

Please note that the above includes bonus payments.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

9. Other services

2018/19	2019/20
£'000	£'000
187 Internal audit	94
37 External audit	73
116 Professional fees (including consultancy)	208
16 Insurance	18
24 Bank costs	21
18 Pensioner forum and meetings	34
270 Other miscellaneous services	25
49 Equipment and external support	-
129 Loss on Disposal of fixed assets	-
- Postage	6
15 Communication	1
40 Subscriptions & publications	53
(537) Bad debt provision	(118)
1,811 Management Charge - Pension Admin	1,860
1,608 Management Charge - Governance	1,711
6 Management Charge - Secretarial	(6)
3,790	3,980

10. Fees paid to the external auditors

2018/19	2019/20
£'000	£'000
31 External audit	54
6 Fee for public interest entity	-
- External audit 2018/19	19
37	73

The £19k charged for 2018/19 audit in the current year's cost is an additional charge for 2018/19 rather than being an element of the normal fee. Fees are also payable to the external auditors in relation to the certification of the data used to calculate the IAS19 disclosures for participating employers. The fee amounted to £14.5k for 2018/19 and £34.5k for 2019/20. These fees are recharged to the employer so that the net cost to LPFA is £nil.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

11. Retirement benefit obligations

Amounts recognised in the balance sheet are determined as follows:

Restated 2018/19	2019/20
£'000	£'000
23,930 Estimated employer asset	21,570
(38,191) Present value of scheme liabilities	(35,403)
(14,261) Defined benefit liabilities as at 31 March 2020	(13,833)

The comparative figures for the estimated employer asset and the present value of scheme liabilities have both been reduced by £408k due to a restatement of the historical balances by the scheme's actuaries.

Reconciliation of the opening and closing balance of the present value of the defined benefit obligation.

Restated 2018/19	2019/20
£'000	£'000
38,433 At 1 April	38,191
90 Service cost	188
975 Interest cost	913
1,721 Change in financial assumptions	(3,067)
(1,790) Change in demographic assumptions	296
- Experience loss/(gain) on defined benefit obligation	(10)
(1,258) Estimated benefits paid (net of transfers in)	(1,180)
- Past service cost	15
20 Contributions by scheme participants	57
38,191 Liabilities as at 31 March 2020	35,403

The movement in the fair value of plan assets over the period is as follows:

Restated 2018/19	2019/20
£'000	£'000
22,803 At 1 April	23,930
580 Interest on assets	575
1,501 Return on assets less interest	(665)
- Other actuarial gains/(losses)	(1,479)
(30) Admin expenses	(32)
314 Contributions by employer including unfunded	364
20 Contributions by scheme participants and other employers	57
(1,258) Estimated benefits paid including unfunded net of transfers in	(1,180)
23,930 Assets as at 31 March 2020	21,570

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

Amounts recognised in Group Operational Account:

2018/19	2019/20
£'000	£'000
90 Service cost	203
395 Net interest on the defined liability (asset)	338
30 Admin expenses	32
515 Total operating charge	573

Amounts recognised in the Statement of Other Comprehensive Income and Expenditure:

2018/19	2019/20
£'000	£'000
1,501 Return on plan assets in excess of interest	(665)
- Other actuarial gains/(losses) on assets	(1,479)
(1,721) Change in financial assumptions	3,067
1,790 Change in demographic assumptions	(296)
- Experience gain/(loss) on defined benefit obligation	10
1,570 Re-measurements	637

The movement in the defined benefit liability:

2018/19	2019/20
£'000	£'000
(15,630) At 1 April	(14,261)
(90) Current service cost	(203)
314 Contributions by employer including unfunded	364
(395) Interest costs	(338)
1,501 Return on plan assets in excess of interest	(665)
(30) Admin costs	(32)
69 Actuarial gains/ (losses)	1,302
(14,261) Defined Benefit Liabilities as at 31 March 2020	(13,833)

The figures include an allowance for the estimated impact of the recent McCloud judgement on the service costs . It has been estimated that impact on the service costs is £15K.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

11. Retirement benefit obligations (continued)

The principle actuarial assumptions were as follows:

	31 March 2020	31 March 2019
Mortality rate for 65 year olds - retiring today		
Males	21.8	20.8
Females	24.1	23.6
Mortality rate for 65 year olds - retiring in 20 years time		
Males	23.2	22.6
Females	25.6	25.5

The following assumptions were also made:

- Members will exchange half of their commutable pension for cash at retirement.
- The proportion of the membership that had taken up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

	31 March 2020		31-Mar-19		31-Mar-18	
	%p.a.	Real %	%p.a.	Real %	%p.a.	Real %
RPI increases	2.70	0	3.4	0	3.3	0
CPI increases	1.90	-0.8	2.4	-1	2.3	-1
Salary increases	2.90	0.2	3.9	0.5	3.8	0.5
Pension increases	1.90	-0.8	2.4	-1	2.3	-1
Discount rate	2.35	-0.35	2.4	-1	2.55	-0.75

Sensitivity analysis:

31 March 2020	£'000	£'000	£'000
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of total obligation	35,158	35,811	36,477
Projected service cost	181	187	193
Adjustment to long term salary increase	0.10%	0.00%	-0.10%
Present value of total obligation	35,809	35,811	35,813
Projected Service Cost	187	187	187
Adjustment to pension increases and deferred revaluation	0.10%	0.00%	-0.10%
Present value of total obligation	36,482	35,811	35,152
Projected service cost	193	187	181
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	37,008	35,811	34,652
Projected service cost	193	187	181

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

Contributions to the Pension Fund during 2019/20

Contributions from the employer amounted to £364,000 (31 March 2019: £314,000).

Impact on authority's cash flows

The next triennial valuation is due as at 31 March 2022 and may have an impact on the future liability cashflows, further detail on the funds can be found in note 25 of the LPFA Pension Fund financial statements.

The authority expects to pay increased contributions in 2020/21 due to the change in structure of the LPFA, this should amount to £365k.

The past service duration of the defined benefit obligation for scheme members is 19 years.

As at date of the last asset breakdown report pension scheme assets comprised:

Asset Breakdown		31 March 2020	
		% Quoted	% Unquoted
Equities			
	Segregated:		
	Real Estate	1.3%	-
	Consumer Discretionary	4.5%	-
	Consumer Staples	7.3%	-
	Energy	0.2%	-
	Financials	4.9%	-
	Health Care	2.8%	-
	Industrials	4.8%	-
	Information Technology	6.6%	-
	Materials	1.3%	-
	Communication Services	2.4%	-
	Utilities	1.2%	-
	Fixed Income & Other	0.1%	-
	Trade Cash/ Pending	2.7%	-
	Synthetic Equity	1.3%	-
Private Equity		-	9.7%
Fixed Income		5.0%	
Total return		-	-
	Investment/ Hedge Funds and Unit Trusts	12.9%	-
Credit		-	7.8%
Infrastructure		-	7.3%
Real Estate		-	9.9%
Cash			
	Cash	1.6%	-
	LDI	5.1%	-
	Currency Hedge (Forward Contracts)	-	-0.7%
Total		66.0%	34.0%

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

11. Retirement benefit obligations (continued)

Employee benefits

The LPFA had 5 out of 5 staff who are members of the Local Government Pension Scheme (LGPS) as at 30 March 2020. The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending of their rate of pay. The LPFA, as the employing body, also contributes in to the scheme on the employee's behalf at 12.0% of the employee's salary.

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to LPFA. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to surplus or deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by LPFA to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Cost of Services line in the Comprehensive Income and Expenditure Statement at the earlier of when LPFA can no longer withdraw the offer or when the authority recognises costs for a restructuring under IAS37. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by LPFA to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of LPFA are members of the LGPS, administered by the LPFA. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for LPFA.

The Local Government Pension Scheme

LGPS is accounted for as a defined benefits scheme: The liabilities of the LPFA pension fund attributable to LPFA are included in the balance sheet on an actuarial basis using the projected unit method – i.e. 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, etc., and projections of projected earnings for current employees.

Discretionary benefits

LPFA also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

12. Adjustments for non-cash items

2018/19 Group	2018/19 Entity	2019/20 Group	2019/20 Entity
£'000	£'000	£'000	£'000
1	1 Depreciation	-	-
49	49 Amortisation of intangibles	-	-
129	129 Loss on disposal of fixed assets	-	-
(102)	- Reverse share of profit/ loss in joint venture	(154)	-
(416)	(416) Decrease/(increase) in receivables	250	250
(40)	(40) Increase/(decrease) in payables	274	274
201	201 Transfer to pension reserve	209	209
(179)	(77)	579	733

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

13. Net investment in joint venture

LPFA entered into a joint venture with Lancashire County Council and incorporated LPP and its subsidiaries on 19 October 2015. The objective of LPP is to provide high quality, low cost pension administration, risk management and investment management services to LPFA, Lancashire County Pension Fund and other LGPS clients.

The joint venture has been equity accounted and LPFA's fifty percent share of LPP's results are included, in the Group Comprehensive Income and Expenditure Statement and in the Balance Sheet. The results of the LPP Group are as follows:

During the year LPP issued £25 million non-voting £1 X ordinary shares, split equally between the LPFA pension scheme and the Lancashire County Council. The funds were used to settle the long term debt of £17.5m and the balance increased non current assets.

50% of the issued share capital is shown as non-voting equity interest in LPP Group in the Consolidated Statement of Financial Position.

50% Share of LPP 2018/19	LPP Group 2018/19		50% Share of LPP 2019/20	LPP Group 2019/20
£'000	£'000		£'000	£'000
Comprehensive Income and Expenditure Statement:				
111	222	Profit/ (loss) on ordinary activities before taxation	97	194
(9)	(18)	Taxation	58	115
		Net actuarial gain/ (loss) on defined benefit pension schemes	(707)	(1,414)
(202)	(404)			
35	69	Deferred tax on actuarial loss	134	269
(66)	(131)	Total Comprehensive income for the period	(418)	(836)
Balance Sheet:				
13,609	27,217	Total assets less current liabilities	19,090	38,180
		Creditors: amounts falling due after more than one year	-	-
(8,750)	(17,500)			
(8,497)	(16,994)	Post-employment benefits	(10,647)	(21,293)
(3,638)	(7,277)	Net assets	8,444	16,887
		Represented by:		
-	-	- Called up share capital	12,500	25,000
(1,701)	(3,402)	Profit & loss account	(2,119)	(4,238)
(4)	(9)	Opening reserves on subsidiary company	(5)	(9)
(1,933)	(3,866)	Retirement benefit obligations reserve	(1,933)	(3,866)
(3,638)	(7,277)	Net value	8,444	16,887

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational accounts

14. Related party transactions

This disclosure note has been produced using a specific declaration obtained in respect of related party transactions. Agency contracts and pension funds are related parties. LPFA Pension Fund, Residual Liabilities and the Greater London Authority are related parties. LPFA Operational accounts includes income for administration and governance services charged to the LPFA pension fund and the Residual Liabilities, being £4,765k and £586k respectively.

LPP and its subsidiaries are also related parties, details of which are in note 13. LPP invoiced £3.571m for Administration and Oversight and Governance services.

The appropriate disclosures have been made in the Pension Fund accounts.

LPFA had a loan facility with LPP, but this was not drawn down as at 31 March 2020. The facility ended during the year and funding was provided to LPP as a result of a capital restructure.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

10 Notes to the Group Operational accounts - group and entity

15. Debtors

2018/19	2019/20
£'000	£'000
975 Sundry Debtors	603
- VAT	109
(187) Allowance for credit losses	(174)
788	538

16. Creditors

2018/19	2019/20
£'000	£'000
54 Other Taxes	21
1,064 Sundry Creditors	1,371
1,118	1,392

17. Bank

2018/19	2019/20
£'000	£'000
1,603 Cash at bank comprises an allocation of the total cash	2,460
1,603	2,460

18. Financial instruments

The operational account only holds cash as mentioned in note 17 above as well as payables and receivables, these are covered in notes 15 and 16.

19. Post balance sheet events

There were no material events after the balance sheet date.

**London Pensions Fund Authority Statement of Operational
and Residual Liabilities Accounts**

Residual Liabilities Accounts

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

11 Residual Liabilities Accounts

Statement of Movement in Reserves for the year ended 31 March 2020

	General Fund Reserve			Pension Reserve			Total Reserves
	Greater London	Inner London	Total Reserves	Greater London	Inner London	Total Pension Reserves	
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2018 carried forward	13,366	3,436	16,802	(72,628)	(141,698)	(214,326)	(197,524)
Movement in reserves during 2018/19							
Surplus/(deficit) on the provision of services	6,229	7,391	13,619	-	-	-	13,619
Contributions for unfunded benefits	(6,217)	(9,628)	(15,845)	6,217	9,628	15,845	-
Net interest on pension scheme liabilities	1,669	3,286	4,955	(1,669)	(3,286)	(4,955)	-
Remeasurements of the Net Defined Benefit Liability	-	-	-	(933)	(1,903)	(2,836)	(2,836)
Net movement in reserves	1,681	1,049	2,729	3,615	4,439	8,054	10,783
Balance at 31 March 2019 carried forward	15,047	4,484	19,531	(69,013)	(137,259)	(206,272)	(186,741)
Movement in reserves during 2019/20							
Surplus/(deficit) on the provision of services	6,719	11,267	17,986	-	-	-	17,986
Contributions for unfunded benefits	(6,477)	(10,229)	(16,706)	6,477	10,229	16,706	-
Net interest on pension scheme liabilities	1,447	2,908	4,355	(1,447)	(2,908)	(4,355)	-
Remeasurements of the Net Defined Benefit Liability	-	-	-	12,808	30,134	42,942	42,942
Net movement in reserves	1,689	3,946	5,635	17,838	37,455	55,293	60,928
Balance at 31 March 2020 carried forward	16,736	8,430	25,166	(51,175)	(99,804)	(150,979)	(125,813)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

11 Residual Liabilities Accounts

Statement of Financial Position as at 31 March 2020

2018/19 Greater London	2018/19 Inner London	Total Total		Notes	2019/20 Greater London	2019/20 Inner London	Total Total
£000	£000	£000			£000	£000	£000
41,338	1,034	42,372	Asbestosis reimbursement	6	13,353	-	13,353
41,338	1,034	42,372	Non-current assets		13,353	-	13,353
92	1,290	1,382	Receivables		238	1,174	1,412
34,398	7,681	42,079	Cash and cash equivalents		33,322	10,210	43,532
34,490	8,971	43,460	Current assets		33,560	11,384	44,944
(49)	(2)	(51)	Trade and other payables	7	(89)	(14)	(103)
(4,937)	(876)	(5,813)	Provision		(4,244)	(412)	(4,656)
(4,986)	(879)	(5,864)	Current liabilities		(4,333)	(426)	(4,759)
(51,449)	(4,642)	(56,090)	Provision		(25,844)	(2,529)	(28,373)
(4,347)	-	(4,347)	LCC Stock		-	-	-
(69,013)	(137,259)	(206,272)	Unfunded pension liability	9	(51,175)	(99,804)	(150,979)
(124,809)	(141,901)	(266,710)	Non-current liabilities		(77,019)	(102,333)	(179,352)
(53,966)	(132,775)	(186,741)	Net liabilities		(34,439)	(91,375)	(125,814)
Reserves							
15,047	4,484	19,531	General fund reserve		16,736	8,430	25,166
(69,013)	(137,259)	(206,272)	Pension reserve		(51,175)	(99,804)	(150,979)
(53,966)	(132,775)	(186,741)	Total reserves		(34,439)	(91,374)	(125,813)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

11 Residual Liabilities Accounts

Cashflow Statement

2018/19	Notes	2019/20
£000		£000
13,619		17,986
(8,960)	11	(12,536)
4,659		5,450
Financing activities		
-		(4,348)
Investing activities		
(137)		(158)
387		510
4,909		1,453
37,170		42,079
42,079	13	43,532

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

1. General information

The LPFA makes payments of annual statutory compensation following the abolition of the former Greater London Council (GLC) and Inner London Education Authority (ILEA). These payments are financed by way of a levy on all London Boroughs in respect of former Greater London liabilities and on Inner London Boroughs in respect of Inner London liabilities.

The residual liabilities accounts include substantial provisions for injury claims from former employees of the GLC and ILEA in relation to asbestosis. The costs of these claims will be met through a levy on London boroughs, and so the accounts also include a re-imburement to offset most of the provision, the balance being met by funds already taken from London boroughs, and held in reserves.

2. Summary of significant accounting policies

General principles

The Statement of Accounts summarises LPFA's transactions for the 2019/20 financial year and its position at period end of 31 March 2020. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20: based upon International Financial Reporting Standards (IFRS).

The financial statements have been prepared on a going concern basis.

Accruals of income and expenditure

Activity is accounted for in the year that it takes place, and not when cash payments are made or received. In particular:

Fees and charges are accounted for as income at the date LPFA provides the relevant services.

Supplies are recorded as expenditure when they are consumed.

Where income or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, together with short term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of change in value. An investment normally meets the definition of a cash equivalent when it has a maturity of three months or less from the date of acquisition. Bank overdrafts which are repayable on demand and which form an integral part of an entity's cash management are also included as a component of cash and cash equivalents.

Cash balances not required for immediate use are invested in accordance with LPFA's Treasury Management Strategy. Interest earned on LPFA's balances is credited to the Comprehensive Income and Expenditure Statement during the year and appropriate accruals are made at year-end.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts For the year to 31 March 2020

12 Notes to the Residual Liability Accounts (continued)

Provisions

Provisions are made where an event has taken place that gives LPFA an obligation that in probability, may require settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the comprehensive income and expenditure statement in the year that LPFA becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged directly to the provision set up on the balance sheet. Estimated settlements are reviewed at the end of each financial year and the provision increased or reversed back to the revenue account if it becomes more likely than not that a transfer of benefits will not be made or a lower settlement than anticipated could be made.

Contingent liabilities

Contingent liabilities arise where an event has taken place that gives LPFA a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of LPFA. These are not recognised as liabilities in the accounts but disclosed in the financial statements where it is probable that an outflow of economic benefit to settle the obligation is more than remote.

Overheads

Directly attributable overheads are charged to the appropriate service areas within the Residual Liabilities Account.

Interest on balances

Cash balances not required for immediate use are invested in accordance with LPFA Treasury Management Strategy. Interest earned on LPFA's balances is credited to the Income and Expenditure Account during the year and appropriate accruals are made at year-end.

Financial assets / liabilities

Financial Assets/Liabilities represents transactions, with a contract, that result in a financial asset for one entity and a financial liability for another. Financial assets are recognised by LPFA on the Balance Sheet, initially at their fair value, only when goods or services have been provided or rendered to a third party.

Financial liabilities are recognised, initially at their fair value, when the goods or services ordered from a third party have been received by LPFA and the third party has performed its contractual obligations.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liability Accounts (continued)

Reserves

LPFA sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. Where expenditure to be financed from a reserve is incurred, it is charged to the Income and Expenditure Account and the reserve is then appropriated back also so that there is no net charge to LPFA at this point.

General fund reserve

The General Fund reserve is used to fund unexpected short term costs, principally relating to asbestosis claims. Certain reserves are kept to manage accounting processes and do not represent usable resources for LPFA. This is the pension reserve.

Pension reserve

The Pension Reserve is not cash backed and represents the actuarially calculated deficit between the value of all pension liabilities and the pension assets held.

Accounting for retirement benefits

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities.

The effect of recognising retirement benefits in the balance sheet is a net liability and a pension reserve in the combined residual liabilities accounts. This relates to the compensation payments which are met on an annual basis by levies on London boroughs.

These liabilities reflect the current actuarial value of future payments and do not affect income and expenditure in 2019/20.

The change in the net pension liability is analysed into the following components:

Current service cost: the increase in pensions liabilities as a result of a year's service;

Past service costs: The increase in liabilities as a result of changes to plan arrangements in the current year with subsequent effects to years of service earned by the employee in previous years;

Interest cost: the increase in the present value of the liabilities during the year as a result of moving one year closer to being paid;

Change in financial assumptions: changes in the present value of the defined benefit obligation resulting from a change in financial assumptions made by the actuary;

Change in demographic assumptions: changes in the present value of the defined benefit obligation resulting from a change in demographic assumptions made by the actuary;

Experience loss/(gain) on defined benefit obligation: changes in the present value of the defined benefit obligation resulting from the effects of the differences between the previous actuarial assumptions and what has actually occurred; and

Unfunded pension payments: the decrease in scheme liabilities due to payments made to pensioners in the year.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liability Accounts (continued)

3. Financial risk management

The LPFA activities expose it to a variety of financial risks. The key risks relate to the uncertainties relating to the estimation of the asbestosis provision and the actuarial valuation of unfunded benefits.

4. Critical accounting estimates and judgment

Provision

LPFA have set aside a provision for its liabilities to meet the costs of asbestosis claims from former employees of the GLC and the ILEA. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. LPFA also has an estimate of future reimbursement of these costs from the London boroughs. The LPFA has been exploring the possibility that insurers of the GLC and ILEA may be liable in part for these costs as well as awaiting the impact that recent legislation in this area may have on future costs. Any potential impact will take a number of years to assess.

Pensions liability

Estimation of the net liability to pay pensions depend 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. A firm of consulting actuaries are engaged to provide LPFA 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.

5. Segmental information

Management do not report segmental information in the annual accounts, hence the financial statements for the Residual Liabilities Account have been presented reflecting the non-segmental nature of the entity's operations.

6. Asbestosis provision

The GLC is responsible for the settlement of claims made by former employees of the GLC and the ILEA who have become injured as a result of exposure to asbestos. Due to the long periods over which this illness can lay dormant the normal deadline for submitting injury claims has been waived. This means that the LPFA has liabilities estimated to last until about 2035. A provision has been established for the injury claims. The provision is based on knowledge of existing claims and estimates of future claims' liabilities. The costs have been estimated in discussion with our legal advisers and take into account previous experience of claims over the last 20 years. The costs are met through the levy on the London boroughs. The future profile of claims is used to smooth any changes in the levy to, as far as possible, limit any changes to the levy, until it gradually decreases as the final liabilities are met. The LPFA does not fund these costs as they are passed on to the appropriate Greater London or Inner London Borough Councils who have a legal duty to reimburse the LPFA. As there is certainty that these costs will be reimbursed the future costs are offset by the reimbursed future income in the Comprehensive Income and Expenditure Statement and are shown separately on the balance sheet of the Residual Liability Fund. The movement in the asbestosis provision over the year is as follows.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

6. Asbestosis provision (continued)

2018/19			2019/20		
Greater London	Inner London	Total	Greater London	Inner London	Total
£000	£000	£000	£000	£000	£000
(51,185)	(4,618)	(55,803)	(56,386)	(5,518)	(61,904)
(5,935)	(918)	(6,853)	25,228	2,514	27,742
734	18	752	1,069	63	1,132
(56,386)	(5,518)	(61,904)	(30,089)	(2,941)	(33,030)
(51,449)	(4,642)	(56,090)	(25,844)	(2,529)	(28,373)
(4,937)	(876)	(5,813)	(4,245)	(412)	(4,657)
(56,385)	(5,518)	(61,904)	(30,089)	(2,941)	(33,030)
Amounts recoverable are as follows:					
41,338	1,034	42,372	13,353	-	13,353
41,338	1,034	42,372	13,353	-	13,353

7. Short term liabilities

2018/19			2019/20		
Greater London	Inner London	Total	Greater London	Inner London	Total
£000	£000	£000	£000	£000	£000
(6)	-	(6)	(11)	-	(11)
(12)	-	(12)	-	-	-
(31)	(2)	(34)	(79)	(13)	(92)
(49)	(2)	(51)	(90)	(13)	(103)

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

8. LCC stock

The LPFA was responsible for London County Council (LCC) loan stocks. In order to remove the need for a public interest audit of the Residual Liability accounts, LPFA had previously been exploring the possibility of redeeming the LCC stocks held. Over the past 12 months, Computershare, the company who managed the LCC Stock on behalf of LPFA, have carried out the redemption process. Both the 2.5% and 3% loan stocks were redeemed at par value on 1 March 2020.

The par value of the loan stocks are provided below. These were part of the Greater London levy responsibilities.

2018/19	LCC stocks	2019/20
£000		£000
3,875	3% London County Council Stock	-
472	2.5% London County Council Stock	-
4,347		-

9. Retirement benefit obligations

The pension liability has been determined by the LPFA's actuary Barnett Waddingham in accordance with IAS 19: Employee Benefits. In producing this information, Barnett Waddingham carried out a full valuation of unfunded members as at 31 March 2020.

The LPFA is also responsible for compensation payments arising from added years in respect of former staff of the GLC and ILEA and the London Residuary Body (LRB). These payments are recoverable from levies on the London Boroughs. The LPFA inherited some staff from the GLC, ILEA and LRB. In circumstances where staff leave the LPFA with retained staff benefit entitlement the cost of the discretionary added years is also borne by the levy.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by LPFA to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

9. Retirement benefit obligations (continued)

	31 March 2019			31 March 2020		
	Greater London	Inner London	Total	Greater London	Inner London	Total
	£000	£000	£000	£000	£000	£000
Retirement benefit obligations						
The amounts recognised in the balance sheet are determined as follows:						
Present value of unfunded obligations	69,013	137,259	206,272	51,175	99,804	150,979
Pension liability	69,013	137,259	206,272	51,175	99,804	150,979
The movement in the present value of unfunded obligations over the year is as follows:						
At 1 April	72,628	141,698	214,326	69,013	137,259	206,272
Interest cost	1,669	3,286	4,955	1,447	2,908	4,355
Change in financial assumptions	2,070	4,316	6,386	(2,226)	(4,445)	(6,671)
Change in demographic assumptions	(1,137)	(2,413)	(3,550)	(1,640)	(1,338)	(2,978)
Experience loss/(gain) on defined benefit obligation	-	-	-	(8,942)	(24,351)	(33,293)
Unfunded pension payments	(6,217)	(9,628)	(15,845)	(6,477)	(10,229)	(16,706)
At 31 Mar 2020	69,013	137,259	206,272	51,175	99,804	150,979

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

9. Retirement benefit obligations (continued)

Life Expectancy from age 65 (years)

Greater London:

The assumed life expectations from age 65 are:		31 March 2019	31 March 2020
Retiring today:	Males	21.6	21.9
	Females	23.6	22.5

Inner London:

The assumed life expectations from age 65 are:		31 March 2019	31 March 2020
Retiring today:	Males	21.6	22.0
	Females	23.6	23.4

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

9. Retirement benefit obligations (continued)

	31 March 2019			31 March 2020		
	Greater London	Inner London	Total	Greater London	Inner London	Total
	£000	£000	£000	£000	£000	£000
Amounts recognised in the income statement are as follows:						
Net interest on the defined liability (asset)	1,669	3,286	4,955	1,447	2,908	4,355
Total	1,669	3,286	4,955	1,447	2,908	4,355
Re-measurements in other comprehensive income						
Change in financial assumptions	2,070	4,316	6,386	(2,226)	(4,445)	(6,671)
Change in demographic assumptions	(1,137)	(2,413)	(3,550)	(1,640)	(1,338)	(2,978)
Experience gain/(loss) on defined benefit obligation	-	-	-	(8,942)	(24,351)	(33,293)
Re-measurements	933	1,903	2,836	(12,808)	(30,134)	(42,942)

Financial assumptions for GL and IL:

	31-Mar-20		31-Mar-19		31-Mar-18	
	%p.a.	Real %	%p.a.	Real %	%p.a.	Real %
RPI increases	2.95	0.00	3.50	0.00	3.35	0.00
CPI increases	1.95	(1.00)	2.50	(1.00)	2.35	(1.00)
Pension increases	1.95	(1.00)	2.50	(1.00)	2.35	(1.00)
Discount rate	2.25	0.00	2.20	0.00	2.40	0.00

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

9. Retirement benefit obligations (continued)

Sensitivity analysis for GL:

	£000	£000	£000
Present value of total obligation		51,175	
Sensitivity to	+0.1%		-0.1%
Discount rate	50,814		51,540
Pension increases and deferred revaluation	51,541		50,812
Sensitivity to	+ 1 Year		- 1 Year
Life expectancy assumptions	52,881		49,525

Sensitivity analysis for IL:

	£000	£000	£000
Present value of total obligation		99,804	
Sensitivity to	+0.1%		-0.1%
Discount rate	99,082		100,531
Pension increases and deferred revaluation	100,533		99,079
Sensitivity to	+ 1 Year		- 1 Year
Life expectancy assumptions	103,130		96,585

10. Administration expenses

The administration expenses are the costs charged to the residual liabilities accounts from the operational accounts and comprise a share of the costs relating to administering the residual liabilities responsibilities. The costs for 2019/20 were £249k for the Greater London levy and £337k for the Inner London levy, this has reduced by £67k from 2018/19.

London Pensions Fund Authority Statement of Operational and Residual Liabilities Accounts

For the year to 31 March 2020

12 Notes to the Residual Liabilities Accounts (continued)

11. Reconciliation of non-cash movements

2018/19	2019/20
£000	£000
(10,890) Transfer to pension reserve	(12,351)
(459) (Increase)/ decrease in receivables	(30)
(8) Increase/(decrease) in payables	52
137 Interest paid plus adjustment to interest owed	158
(387) Interest received	(510)
6,101 Movement in provisions	(28,874)
(Increase) decrease in asbestos reimbursement	
(3,454) expenditure through asbestos provision	29,019
(8,960)	(12,536)

12. Related party transactions

The LPFA Pension Fund Accounts and the LPFA Operational Accounts are related parties. The Residual Liabilities accounts includes administration and governance fees of £586k (2019 - £519k) charged by LPFA Operations.

13. Cash and cash equivalents

The cash at the bank and on short term deposit totals £43,532k, this was £42,079K in 2018/19.

14. Post balance sheet events

There were no material events after the balance sheet date.