
Group Accounts

SECTION 6 – GROUP ACCOUNTS

In order to provide a full picture of the Council's economic activities and financial position, the accounting statements of the Council and its wholly owned local authority trading companies, Lewisham Homes Limited and Catford Regeneration Partnership Limited have been consolidated.

The group accounts are presented in addition to the Council's "single entity" financial statements and comprise:

- Group Comprehensive Income and Expenditure Statement
- Group Movement in Reserves Statement;
- Group Balance Sheet; and
- Group Cash flow Statement

These statements (the purposes of which are explained on **pages 3 and 4**), together with those explanatory notes that are considered necessary in addition to those accompanying the "single entity" accounts and accounting policies are set out in the following pages.

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GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDING 31 MARCH 2021

2019/20 Restated			SERVICE	2020/21		
Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s		Gross Expenditure £000s	Gross Income £000s	Net Expenditure £000s
379,587	(314,493)	65,094	Children & Young People Directorate	450,484	(353,059)	97,425
181,684	(91,468)	90,216	Community Services Directorate	205,927	(122,724)	83,203
119,520	(85,112)	34,408	Housing, Regeneration & Public Realm Directorate	149,840	(85,901)	63,939
251,293	(211,767)	39,526	Corporate Services Directorate	217,128	(177,760)	39,368
		0	Chief Executive Directorate	12,504	(591)	11,913
149,555	(110,586)	38,969	HRA	159,700	(106,128)	53,572
10,430	(2,334)	8,096	Corporate Provisions	22,259	(2,665)	19,594
1,092,069	(815,760)	276,309	Cost of Services	1,217,842	(848,828)	369,014
0	(19,860)	(19,860)	Other Operating Expenditure	0	(6,832)	(6,832)
			(Gain) / Loss on the disposal of non-current assets			
1,700	0	1,700	Levies	1,706	0	1,706
20,121	0	20,121	Contribution of housing capital receipts to Government Pool	1,939	0	1,939
21,821	(19,860)	1,961		3,645	(6,832)	(3,187)
			Financing and Investment Income and Expenditure			
35,385	0	35,385	Interest payable and similar charges	31,482	0	31,482
0	(1,058)	(1,058)	Interest and Investment Income	0	(1,407)	(1,407)
51,641	(32,617)	19,024	Net interest on the net defined benefit liability	42,498	(30,382)	12,116
87,026	(33,675)	53,351		73,980	(31,789)	42,191
			Taxation and non-specific Grant Income			
0	(113,437)	(113,437)	Income from Council Tax	0	(118,065)	(118,065)
0	(55,224)	(55,224)	General Government Grants	0	(118,372)	(118,372)
0	(18,568)	(18,568)	Recognised Capital Grants and Contributions	0	(36,508)	(36,508)
0	(102,075)	(102,075)	Non-Domestic Rates income and expenditure	0	(102,653)	(102,653)
170	(136)	34	Corporation Tax Payable	518	0	518
170	(289,440)	(289,270)		518	(375,598)	(375,080)
		42,351	Deficit/(Surplus) on provision of services			32,938
		(122,769)	Surplus or deficit on revaluation of non-current assets			(108,137)
		(300,342)	Remeasurement of the net defined benefit liability			256,650
		(423,111)	Other Comprehensive Income and Expenditure			148,513
		(380,760)	Total Comprehensive Income and Expenditure			181,451

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GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2021

YEAR ENDING 31 MARCH 2021	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2020 Brought Forward	20,000	152,078	80,704	16,463	61,368	23,626	354,239	1,639,603	1,993,842
Movement in Reserves during 2020/21									
Surplus or (Deficit) on the provision of services	8,760	(448)	(41,250)	0	0	0	(32,938)	0	(32,938)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	(148,513)	(148,513)
Total Comprehensive Income and Expenditure	8,760	(448)	(41,250)	0	0	0	(32,938)	(148,513)	(181,451)
Adjustments between accounting basis and funding basis under regulations	83,543	0	31,104	(15,228)	(3,072)	2,979	99,326	(99,326)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	92,303	(448)	(10,146)	(15,228)	(3,072)	2,979	66,388	(247,839)	(181,451)
Transfers to / from Earmarked Reserves	(92,303)	94,678	(649)	649	0	0	2,375	(2,375)	0
Increase / (Decrease) in 2020/21	0	94,230	(10,795)	(14,579)	(3,072)	2,979	68,763	(250,214)	(181,451)
Balance at 31 March 2021 Carried Forward	20,000	246,308	69,909	1,884	58,296	26,605	423,002	1,389,389	1,812,391

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GROUP MOVEMENT IN RESERVES STATEMENT - YEAR ENDING 31 MARCH 2020

YEAR ENDING 31 MARCH 2020	General Fund Balance £000	Earmarked Gen Fund Reserves £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2019 Brought Forward	20,000	149,311	86,916	36,919	62,101	16,998	372,245	1,240,837	1,613,082
Movement in Reserves during 2019/20									
Surplus or (Deficit) on the provision of services	3,192	53	(45,596)	0	0	0	(42,351)	0	(42,351)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	423,111	423,111
Total Comprehensive Income and Expenditure	3,192	53	(45,596)	0	0	0	(42,351)	423,111	380,760
Adjustments between accounting basis and funding basis under regulations	785	0	21,670	(2,742)	(733)	6,628	25,608	(25,608)	0
Net Increase / Decrease before Transfers to Earmarked Reserves	3,977	53	(23,926)	(2,742)	(733)	6,628	(16,743)	397,503	380,760
Transfers to / from Earmarked Reserves	(3,977)	2,714	17,714	(17,714)	0	0	(1,263)	1,263	0
Increase / (Decrease) in 2019/20	0	2,767	(6,212)	(20,456)	(733)	6,628	(18,006)	398,766	380,760
Balance at 31 March 2020 Carried Forward	20,000	152,078	80,704	16,463	61,368	23,626	354,239	1,639,603	1,993,842

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GROUP BALANCE SHEET AS AT 31 MARCH 2021

31/03/2020 £000		31/03/2021 £000
	Property, Plant & Equipment	
1,310,558	Council dwellings	1,421,775
1,074,576	Other land and buildings	1,065,267
24,936	Vehicles, plant, furniture and equipment	28,318
113,902	Infrastructure	109,064
5,424	Community	5,329
94,699	Surplus Assets not held for Sale	58,983
80,532	Assets under Construction	62,049
2,704,627		2,750,785
257	Heritage Assets	928
14,970	Investment Property	17,092
1,975	Long term investments	1,924
6,284	Long term debtors	4,220
2,728,113	Total Long Term Assets	2,774,949
268,595	Short Term Investments	313,327
210	Inventories	240
64,158	Debtors	88,358
118,418	Cash and Cash Equivalents	80,147
4,357	Prepayments	3,786
455,738	Current Assets	485,858
3,125	Bank Overdraft	1,039
5,968	Short term borrowing	2,073
12,037	Provisions	20,089
96,051	Creditors	79,786
103,902	Receipts in advance	102,168
8,797	PFI Liabilities due within one year	9,302
229,880	Current Liabilities	214,457
2,953,971	Total Assets less Current Liabilities	3,046,350
222,987	Long term borrowing	222,784
5,302	Provisions	8,710
211,567	Deferred PFI Liabilities	202,138
2,506	Capital Grants Receipts in Advance	2,989
517,767	Liability related to defined benefit pension scheme	797,338
960,129	Long Term Liabilities	1,233,959
1,993,842	NET ASSETS	1,812,391
	Usable Reserves	
20,000	General Fund Balance	20,000
151,122	Earmarked Revenue Reserves	245,800
(3,577)	Lewisham Homes Reserves	(5,069)
956	Catford Regeneration Partnership Reserves	508
84,281	Housing Revenue Account	74,978
16,463	Major Repairs Reserve	1,884
61,368	Usable Capital Receipts Reserve	58,296
23,626	Capital Grants Unapplied	26,605
354,239		423,002
	Unusable Reserves	
1,131,311	Revaluation Reserve	1,217,553
1,070,983	Capital Adjustment Account	1,035,534
93	Deferred Capital Receipts	93
(34,694)	Financial Instruments Adjustment Account	(33,834)
(517,767)	Pensions Reserve	(797,338)
(3,570)	Collection Fund Adjustment Account	(21,672)
0	DSG Unusable Reserve	(2,375)
(6,753)	Short Term Compensated Absences Account	(8,572)
1,639,603		1,389,389
1,993,842	TOTAL RESERVES	1,812,391

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GROUP CASH FLOW STATEMENT FOR THE YEAR ENDING 31 MARCH 2021

2019/20 £000s		2020/21 £000s
(42,351)	Net surplus or (deficit) on the provision of services	(32,938)
75,719	Adjustment to surplus or deficit on the provision of services for noncash movements	149,899
(51,677)	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(50,403)
(18,309)	Net Cash flows from operating activities	66,558
53,399	Net Cash flows from Investing Activities	(66,392)
(2,902)	Net Cash flows from Financing Activities	(36,351)
32,188	Net increase or (decrease) in cash and cash equivalents	(36,185)
83,105	Cash and cash equivalents at the beginning of the reporting period	115,293
115,293	Cash and cash equivalents at the end of the reporting period	79,108

Group Accounts

Notes to the Group Accounts**1. General**

The Group Accounts should be read in conjunction with the Lewisham Council single entity accounts on pages 3 to 93. Only notes to the accounts that are materially different from the single entity accounts are produced for the group accounts.

The 2019/20 Group Accounts have been re-stated in-line with the LBL single entity accounts. This is due to a re-organisation of the Council's management structure in 2020/21 which affected the CIES and all related notes.

2. Group Boundary

The Council has an interest in a number of entities, the most significant of which are the wholly owned subsidiaries Lewisham Homes Limited and Catford Regeneration Partnership Limited which are consolidated into these accounts. The table below provides information on the nature of company business and associated risks:

Company	Business	Risks
Lewisham Homes Limited	An arms-length management organisation (ALMO) set up in 2007 as part of the Council's initiative to deliver better housing services and achieve the Decent Homes Standard. The company manages approximately 18,000 homes.	If Lewisham Homes Limited was in any way unable to deliver a satisfactory housing management service, the Council would have to provide such a service itself.
Catford Regeneration Partnership Limited (CRPL)	The company owns the Catford Shopping Centre and aims to drive forward a regeneration programme for the town centre and the surrounding area.	As a property investment company, CRPL is exposed to risk in market movements in terms of the capital value of properties and in the level of income that can be generated through rental charges

3. Accounting Policies

- (i) In preparing the Group Accounts the Council has aligned the accounting policies of its companies with those of the Council and made consolidation adjustments where necessary.
- (ii) In 2020/21 Lewisham Homes "Council Dwellings" assets were re-valued using the same accounting standards as LBL to consolidate Lewisham Homes assets into the Group balance sheet. This resulted in a credit to the Group CIES of £1.292m due to an upward valuation of the assets compared to the 2019/20 valuation (2019/20 was an impairment charge of £15.117m to the Group CIES due to the downward revaluation of the assets).
- (iii) Lewisham Homes account for their assets in their single entity balance sheet as cost based. Within the Lewisham Homes accounts the assets are valued at NBV £42.770m (£43.388m in 2019/20). To be included in the Group Accounts these were valued at Fair Value of NBV £28.945m (£28.271m in 2019/20).
- (iv) The Council has consolidated the companies' financial statements with those of the Council on a line by line basis and has eliminated in full balances, transactions, income and expenses between the Council and its subsidiaries.

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4. Investment Properties

Whilst the Council has no investment properties, CRPL owns Catford shopping centre and several surrounding properties. As these properties were solely being used to generate income at 31 March 2021, under the code of practice they are classed as investment properties.

The fair value of the properties owned by CRPL as at 31 March 2021 £17.092m) (31 March 2020 was £14.970m). This is a £2.122m increase in value from 2019/20.

5. Pensions

Lewisham Homes Limited is a scheduled body in the London Borough of Lewisham Pension Fund. The Council has indemnified Lewisham Homes Limited against any liability that may arise on its notional share of the Pension Fund's assets and obligations.

Lewisham Homes include the asset and liability for the Pension Fund under Current Assets and Long Term Liabilities in their single entity accounts. When consolidating with the LBL accounts to create the Group Accounts this has to be changed to Unusable Reserves and Long Term Liabilities to be in-line with how LBL treat these balances. This results in the various elements of the in-year movement in the valuation being charged through the different areas of the Group CIES.

Group Accounts

6. Movements in Non-Current Assets

The movements in non-current assets during 2020/21 and 2019/20 were as follows:

2020/21	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra- structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2020	1,311,559	1,077,934	62,291	191,981	5,596	94,858	80,532	2,824,751
Additions	1,844	3,436	7,832	3,805	0	2,405	45,981	65,303
Revaluations (recognised in Revaluation Reserve)	112,685	41,100	0	0	0	(31,884)	0	121,901
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	(8,570)	(34,323)	0	0	0	(2,846)	0	(45,739)
Impairments (recognised in Revaluation Reserve)	0	(306)	0	0	0	(49,787)	0	(50,093)
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	(229)	0	(4,204)	0	(28,346)	0	(32,779)
Disposals	(4,273)	0	(2,728)	0	0	(205)	0	(7,206)
Transfers	8,530	(22,069)	(1,869)	3,175	0	76,697	(64,464)	0
Gross Book Value c/fwd at 31 March 2021	1,421,775	1,065,543	65,526	194,757	5,596	60,892	62,049	2,876,138
Depreciation b/fwd at 01 April 2020	(1,001)	(3,358)	(37,355)	(78,079)	(172)	(159)	0	(120,124)
Depreciation for year	(23,093)	(14,950)	(3,826)	(7,614)	(95)	(1,043)	0	(50,621)
Depreciation written back on:								
Transfers	232	1,105	1,578	0	0	(2,916)	0	(1)
Revaluations (recognised in Revaluation Reserve)	21,039	11,208	0	0	0	1,289	0	33,536
Revaluations (recognised in Surplus/ Deficit on the Provision of Services)	2,823	5,719	0	0	0	668	0	9,210
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/ Deficit on the Provision of Services)	0	0	0	0	0	216	0	216
Assets Sold	0	0	2,395	0	0	36	0	2,431
Depreciation c/fwd at 31 March 2021	0	(276)	(37,208)	(85,693)	(267)	(1,909)	0	(125,353)
Net Book Value at 31 March 2021	1,421,775	1,065,267	28,318	109,064	5,329	58,983	62,049	2,750,785

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2019/20	Council Dwellings £000	Other Land & Bldgs £000	Vehicles, Plant & Equip't £000	Infra-structure Assets £000	Comm. Assets £000	Surplus Assets £000	Assets under Construction £000	TOTAL £000
Gross Book Value b/fwd at 01 April 2019	1,298,495	976,188	60,638	186,403	5,587	91,757	31,094	2,650,162
Additions	2,123	5,325	2,045	6,186	361	896	54,966	71,902
Revaluations (recognised in Revaluation Reserve)	30,522	64,256	0	0	0	13,888	0	108,666
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	(16,018)	37,405	0	0	0	4,989	0	26,376
Impairments (recognised in Revaluation Reserve)	(7)	(7,953)	0	0	0	(5,033)	0	(12,993)
Impairments (recognised in Surplus/Deficit on the Provision of Services)	(278)	(1,484)	0	(608)	(352)	(5,037)	(1,416)	(9,175)
Disposals	(3,732)	0	(392)	0	0	(6,063)	0	(10,187)
Transfers	454	4,197	0	0	0	(539)	(4,112)	0
Gross Book Value c/fwd at 31 March 2020	1,311,559	1,077,934	62,291	191,981	5,596	94,858	80,532	2,824,751
Depreciation b/fwd at 01 April 2019	(1,158)	(1,638)	(32,623)	(70,321)	(77)	(257)	0	(106,074)
Depreciation for year	(22,604)	(14,328)	(5,112)	(7,758)	(95)	(1,015)	0	(50,912)
Depreciation written back on:								
Transfers	(33)	(1)	0	0	0	34	0	0
Revaluations (recognised in Revaluation Reserve)	20,482	6,898	0	0	0	513	0	27,893
Revaluations (recognised in Surplus/Deficit on the Provision of Services)	2,312	5,711	0	0	0	253	0	8,276
Impairments (recognised in Revaluation Reserve)	0	0	0	0	0	0	0	0
Impairments (recognised in Surplus/Deficit on the Provision of Services)	0	0	0	0	0	49	0	49
Assets Sold	0	0	380	0	0	264	0	644
Depreciation c/fwd at 31 March 2020	(1,001)	(3,358)	(37,355)	(78,079)	(172)	(159)	0	(120,124)
Net Book Value at 31 March 2020	1,310,558	1,074,576	24,936	113,902	5,424	94,699	80,532	2,704,627

SECTION 8 – PENSION FUND ACCOUNTS

FOREWORD

This Pension Fund Statement of Accounts details the financial position and performance of the Lewisham Pension Fund for the year ending 31 March 2021.

The Pension Fund's value increased over the year by £249m (18%), from £1.352bn to £1.601bn. (In 2019/20 the fund reduced in value by £35m in large part caused by the Covid Outbreak in the last months of the financial year). The increase in 2020/21 more than reversed the reduction in 2019/20.

INTRODUCTION

The London Borough of Lewisham Pension Fund ('the Fund') is part of the Local Government Pension Scheme (LGPS). The Fund is a contributory defined benefit pension scheme administered by the London Borough of Lewisham to provide benefits to London Borough of Lewisham employees and former employees and admitted and scheduled bodies. These benefits include retirement allowances and pensions payable to former employees and their dependants, lump sum death gratuities and special short-term pensions. The Fund is financed by income from investments and contributions from employees, the Council and other admitted and scheduled bodies.

ORGANISATION

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation (referred to henceforth as "the Regulations"):

- The Local Government Pension Scheme Regulations 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended); and
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Formal responsibility for investment management of the Pension Fund is delegated to the Council's Pensions Investment Committee (PIC), which appoints and monitors external investment managers. Each investment manager has an individual performance target and benchmark tailored to balance the risk and return appropriate to the element of the Fund they manage. The investment managers also have to consider the PIC's views on socially responsible investments. Details of the Socially Responsible Investment policy are contained in the Investment Strategy Statement and published online (see web address below).

The Pension Board operates independently of PIC and assists the administering authority in securing compliance with the Regulations and any other legislation or codes of practice relating to the governance and administration of the Scheme. Further information about the Board, together with its Terms of Reference, can be found online at the web address below.

The Pension Fund administration is managed by a small in-house team, which is also responsible for other areas of work such as redundancy payments, gratuities and teachers compensation.

A statement of the Fund's corporate governance, funding strategy and investment strategy can be found on the authority's Pension Fund website at the following address:

www.lewishampensions.org

Pension Fund Accounts

ACCOUNTING POLICIES

The Pension Fund accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ('the Code') which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of the obligations to pay pensions and benefits which fall due after the end of the financial year. In respect of future obligations, the actuarial present value of promised retirement benefits are valued on an International Accounting Standard (IAS) 26 basis.

The Local Government Pension Scheme (Administration) Regulations 2013 require administering authorities in England and Wales to prepare a Pension Fund Annual Report which must include the Fund Account and a Net Assets Statement with supporting notes prepared in accordance with proper practices. The Regulations summarise the Pension Code and the minimum disclosure requirements.

The date for publishing the Pension Fund Annual Report is on or before 1 December following the end of the financial year. The Council will be taking its Annual Report to its Pensions Investment Committee later in the year to comply with this deadline.

A summary of the significant accounting policies, valuation techniques, and the basis of preparation of the accounts are shown below:

- (a) Fund Assets at 31 March 2021 – the below table outlines the fund managers, asset classes, and values of those assets held by the Fund as at 31 March 2021.

Fund Manager	Asset	Asset Value 31 March 2021 £000	Proportion of the Fund 31 March 2021 %	Asset Value 31 March 2020 £000
Blackrock	Passive Equity and Bonds	636,109	39.7%	501,591
UBS	Passive Equity and Bonds	531,236	33.2%	426,666
Schroders Property	Property	112,036	7.0%	106,328
J.P. Morgan	Infrastructure	76,420	4.8%	78,098
HarbourVest	Private Equity	67,694	4.2%	57,267
Pemberton	Multi-Asset Credit	38,127	2.4%	34,873
Partners Group	Multi-Asset Credit	33,175	2.1%	40,400
Invesco	Diversified Growth/Targeted Returns	0	0.0%	77,726
Various Managers	Cash and Net Current Assets	105,579	6.6%	29,683
Lewisham	Cash and Net Current Assets/(Liabilities)	702	0.0%	(424)
Total Fund Assets		1,601,078	100.0%	1,352,208

Pension Fund Accounts

- (b) Basis of Preparation - The accounts have been prepared on an accruals basis (i.e. income and expenditure attributable to the financial year have been included) even where payment has not actually been made or received, except Transfer Values which are prepared on a cash basis. The financial statements do not take account of liabilities to pay pensions and other benefits due after the period end; these are reported upon separately in the Actuary's report and reflected in the Council's income and expenditure account. The accounts are prepared on a going concern basis for accounting purposes.
- (c) Investments - Investments in the Net Assets Statement are shown at Fair Value, the basis of measurement being market value based on bid prices, as required by IAS 26 Retirement Benefit Plans outlined in the 2020/21 Local Authority Code of Practice and in accordance with the provisions of IAS 39 Financial Instruments: Recognition and Measurement. The market value of equity investments is based on the official closing data, in the main, with last trade data being used in a small number of countries. Unitised equities are quoted based on last trade or official closing price. Northern Trust, the Fund's custodian, sets out its pricing policies in a document entitled "Asset pricing guidelines" which details its pricing process and sets out preferred pricing sources and price types.
- (d) The change in market value of investments during the year comprises all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year.
- (e) Passive equity and bonds - dividend income earned from equity and bonds with BlackRock and UBS is reinvested and not repaid directly to the Fund as cash. Interest income is recognised in the Fund as it accrues. Any amount not received by the end of the accounting period will be disclosed in the notes for Debtors and Creditors.
- (f) Private equity investments are valued in accordance with United States generally accepted accounting principles, including FAS 157, which is consistent with the International Private Equity and Venture Capital Valuation Guidelines. These guidelines set out that all investments are carried at fair value and they recommend methodologies for measurement. Due to timing differences in the valuation of these investments, the value carried in the accounts as at 31 March 2021 is the fair value using the latest available valuation at 31 December 2020, rolled forward to include known fund level activity up to 31 March 2021, and adjusted for market valuation changes.
- (g) Property – The Fund does not have any direct investments in property, but does use a property Fund of Funds manager, Schroders, to invest in pooled property/unit trust funds. The Schroders funds are all currently valued at least quarterly. The majority of property assets to which the Fund has exposure are located in the UK. They are valued in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards at Fair Value based on their Open Market Value (OMV).
- The only non-UK fund is the Real Continental European Fund. The net asset value is derived from the net asset value of the underlying funds. Like the UK, the values of the underlying assets are assessed by professionally qualified valuers. Valuation practices will differ between countries according to local Generally Accepted Accounting Practices. The frequency of independent valuations varies, and will be based on the price frequency of the underlying assets.
- (h) Diversified Growth/Targeted Returns Fund – The Fund is allocated notional units in the Invesco fund based on its overall contribution. Units will be valued on every business day in which units are created and realised. The value given to the fund's assets will be the recognised market quotation; if this is not available, the latest independent valuation will be used. Where no independent valuation can be used, the value will be determined by the manager in such manner as it deems appropriate. This fund was fully exited in March 2021 with the assets held as cash at year end.

Pension Fund Accounts

- (i) Multi-Asset Credit Funds – the Pemberton private debt fund is valued at Fair Value using external benchmarks such as the equity values of comparable companies to borrowers, Credit Default Swap or commodity price movements and macro-economic data. Due to timing delays in the receipt of manager statements by the Fund's custodian, the value carried in the accounts at 31 March 2021 is the fair value at 31 December 2020 as reported by the custodian, with an adjustment for changes in market value based on manager statements as at 31 March 2021.

Partners Group values its instruments using private credit estimates or public ratings for the issuer if available and above a rating of B- from Standard & Poor's. Below that, broker quotes are used where available, or Fair Values are derived based on widely recognised market and income valuation methods. Due to timing delays in the receipt of manager statements by the Fund's custodian, the value carried in the accounts at 31 March 2021 is the fair value at 31 December 2020 as reported by the custodian, with an adjustment for changes in market value based on manager statements as at 31 March 2021.

- (j) Infrastructure Fund – Being illiquid and not publicly traded assets, J.P. Morgan appoint external valuers at least annually to determine the Fair Value of fund assets, whilst J.P. Morgan itself calculates the Net Asset Value (NAV) of each investment quarterly in accordance with their internal valuation policies which align with market best practice. Due to timing delays in the receipt of manager statements by the Fund's custodian, the value carried in the accounts at 31 March 2021 is the fair value at 31 December 2020 as reported by the custodian, with an adjustment for changes in market value based on manager statements as at 31 March 2021.
- (k) Contributions – These represent the total amounts received from the employers and employees within the scheme. Rates will differ between bodies in the scheme; from 01 April 2020 the employee contribution bands (revised annually in line with inflation) for the administering authority are as follows:

Pensionable Pay for the Post	Contribution Rates 2020/21	
	Main Section	50/50 Section
Up to £14,600	5.50%	2.75%
£14,601 to £22,800	5.80%	2.90%
£22,801 to £37,100	6.50%	3.25%
£37,101 to £46,900	6.80%	3.40%
£46,901 to £65,600	8.50%	4.25%
£65,601 to £93,000	9.90%	4.95%
£93,001 to £109,500	10.50%	5.25%
£109,501 to £164,200	11.40%	5.70%
More than £164,201	12.50%	6.25%

The employer's contribution is reviewed every three years and is determined by the Fund's Actuary as the rate necessary to ensure that the Fund is able to meet its long-term liabilities. This is assessed at each triennial actuarial revaluation. The employer's contribution rate for the administering authority in 2020/21 is 22.5%, unchanged from 2019/20.

- (l) Benefits – Benefits payable are made up of pension payments and lump sums payable to members of the Fund upon retirement and death. These have been brought into the accounts on the basis of all valid claims approved during the year.
- (m) Transfer Values – Transfer values are those sums paid to, or received from, other pension schemes relating to periods of previous pensionable employment. Transfer values are calculated in accordance with the Local Government Pension Scheme Regulations and have been brought into the accounts on a cash basis.

Pension Fund Accounts

- (n) Taxation – The Fund is a registered public service scheme under section (1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.
- (o) VAT – By virtue of Lewisham Council being the administering authority, VAT input tax is recoverable on Fund activities. Any irrecoverable VAT is accounted for as an expense.
- (p) Actuarial – The adequacy of the Fund's investments and contributions in relation to its overall and future obligations is reviewed every three years by an Actuary appointed by the Council. The Council's Actuary, Hymans Robertson, assesses the Fund's assets and liabilities in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. The contribution rate required for benefits accruing in future is assessed by considering the benefits which accrue over the course of the three years to the next valuation.

The most recent triennial valuation carried out by the actuaries was as at 31 March 2019. Some of the financial assumptions made, with comparison to the previous valuation, are presented in the table below:

Financial Assumption	March 2019 (%)	March 2016 (%)
Discount Rate	3.5	4.0
Price Inflation (CPI*)	2.3	2.1
Pay Increases	3.0	2.9
Benefit Increase	2.3	2.1
CARE Revaluation	2.3	2.1
Expenses	0.7	0.6

* Consumer Price Index

With effect from 1 April 2017 to 31 March 2019, the actuarial review carried out for 31 March 2016 resulted in the Council's employer contribution rate being set at 22.5%.

The recent triennial valuation as at the 31 March 2019 revealed that the Fund's assets, which at 31 March 2019 were valued at £1.387bn, were sufficient to meet 90% (78% in 2016) of the past service liabilities valued at £1.541bn (£1.328bn in 2016) accrued up to that date. The resulting deficit as at the 2019 valuation was £154m (£287m in 2016).

- (q) Actuarial Present Value of Promised Retirement Benefits – The Actuary has calculated the actuarial present value of future retirement benefits (on an IAS 26 basis) to be £2.369bn as at 31 March 2021 (£1.817bn as at 31 March 2020), which includes an allowance for the McCloud ruling on age discrimination, being an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

Pension Fund Accounts

The key actuarial assumptions used to calculate this value are summarised in the below table:

Financial Assumptions	March 2021 (%)	March 2020 (%)
Discount Rate	2.0	2.3
Salary Increases	3.6	2.6
Pension Increases	2.9	1.9

Longevity Assumptions for year ended 31 March 2021	Males	Females
Current Pensioners	21.4 years	24.0 years
Future Pensioners	22.8 years	25.8 years

Sensitivity to the assumptions for year ended 31 March 2021	Approximate increase to liabilities (%)	Approximate monetary amount (£m)
0.5% p.a. decrease in the Real Discount Rate	10	233
0.5% p.a. increase in the Salary Increase Rate	1	15
0.5% p.a. increase in the Pension Increase Rate	9	214

The longevity assumptions for current pensioners are average future life expectancies at age 65, whilst future pensioners are assumed to be aged 45 at the last formal valuation; these longevity assumptions have changed since the previous IAS26 disclosures for year ending 31 March 2020.

For sensitivity purposes, the actuary estimates that a 1 year increase in life expectancy would increase liabilities by approximately 3-5%.

- (r) Investment Management and Administration - Regulation 42 of the Local Government Pension Scheme (Administration) Regulations 2008, permit the Council, as the administering authority, to charge the scheme's administration costs to the Fund. A proportion of relevant Council officers' salaries, including related on-costs, have been charged to the Fund on the basis of actual time spent on scheme administration and investment-related business. Management fees of the Fund's investment managers are typically calculated as a set percentage of the market value of funds under management at regular intervals, although some agreements also allow for performance fees above a defined hurdle rate. Of the Fund's nine fund managers, four charge fees by invoice, the remaining five deduct them at source; in the latter instance, adjustments have been made to the Fund Account to recognise the net return on those investments.
- (s) Foreign currency transactions are made using the WM/Reuters exchange rate in the following circumstances:
- Purchase and sales: the foreign exchange rate applicable on the day prior to the trade date is used.
 - Stock holdings: all holdings valuations are made using the WM/Reuters close of previous business day.
 - Dividend receipts: the rate applicable on the day prior to the date the dividend received is used.
- (t) Commitments - Where capital committed to investments is not fully drawn down at the end of the financial year the outstanding commitment is not included in the Net Asset Statement but is referred to in the notes to the accounts; please see note 10.

Pension Fund Accounts

(u) Financial Instruments

(i) Financial Liabilities are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

(ii) Financial Assets are recognised on the Net Asset Statement when the Fund becomes a party to the contractual provisions of a financial instrument. Financial Assets are classified into two types:

- Assets at amortised cost – assets that have fixed or determinable payments but are not quoted in an active market; and
- Fair value through profit or loss – assets that are held for trading.

(v)

Critical judgements in applying accounting policies, and assumptions made about the future and other major sources of estimation uncertainty – The statement of accounts contain critical judgements in applying accounting policies and estimated figures based on assumptions made by the authority about the future or that are otherwise uncertain. These assumptions affect the amounts reported for assets and liabilities as at 31 March 2021, as well as revenues and expenses incurred during the year.

There are two areas in the accounts where critical judgements are applied that are materially significant and will also be impacted by the pandemic:

- Actuarial present value of promised retirement benefits – the figure of net liability to pay pensions is based on a significant number of complex assumptions including the discount rate, salary increases, mortality rates and expected returns on Fund assets. The Pension Fund's qualified actuary calculates this figure to ensure the risk of misstatement is minimised. However, the market disruption caused by the coronavirus outbreak will have mixed and uncertain impacts on all of those assumptions, possibly resulting in material changes to the disclosed present value of promised retirement benefits as at 31 March 2021.
- Property, private equity, infrastructure and private debt valuations – these investments are not publicly listed and involve estimation techniques in their valuation. In addition, timing issues in producing capital statements for inclusion in the statement of accounts means that several assets are valued in the accounts at previous quarter valuations or later, and rolled forward to 31 March 2021 with adjustments and estimations where possible for known activity such as disbursements and capital calls. The Fund's private equity and infrastructure holdings (all level 3 investments) are impacted by this delay; as such, the final realised value of those assets may differ from the valuations presented in the accounts.

(w)

Additional Voluntary Contributions ("AVCs") - Members of the Fund are able to make AVCs in addition to their normal contributions. The related assets are invested separately from the main Fund, and in accordance with the Regulations, are not accounted for within the financial statements. If on retirement members opt to enhance their Scheme benefits using their AVC funds, the amounts returned to the Scheme by the AVC providers are disclosed as transfers-in. Further details about the AVC arrangements are disclosed in note 13 to the financial statements.

Pension Fund Accounts

FUND ACCOUNT FOR THE YEAR ENDED 31 MARCH 2021

The fund account shows the surplus or deficit on the fund for the year.

	2020/21 £000	2019/20 £000	See note
<u>DEALINGS WITH MEMBERS, EMPLOYERS AND OTHERS DIRECTLY INVOLVED WITH THE SCHEME</u>			
Contributions Receivable:			
- from Employers	(35,439)	(35,027)	1
- from Employees	(10,822)	(10,369)	1
Transfer Values In	(3,605)	(10,708)	
Other Income	(347)	(79)	
Sub-Total: Income	(50,213)	(56,183)	
Benefits Payable:			
- Pensions	45,729	44,347	2
- Lump Sums: Retirement allowances	5,905	9,726	2
- Lump Sums: Death grants	1,983	1,080	2
Payments to and on account of leavers:			
- Refunds of Contributions	51	105	
- Transfer Values Out	5,351	5,314	
Sub-Total: Expenses	59,019	60,572	
Sub-Total: Net (Additions)/ Withdrawals from dealings with members	8,806	4,389	
Management Expenses	2,791	3,593	3
Sub-Total: Net (Additions)/ Withdrawals including fund management expenses	11,597	7,982	
<u>RETURNS ON INVESTMENTS</u>			
Investment Income	(17,462)	(14,952)	4
Change in market value of investments (Realised & Unrealised)	(243,196)	41,344	5b
Taxes on Income	191	145	
Total Net Returns on Investments	(260,467)	26,537	
NET (INCREASE) / DECREASE IN THE FUND DURING YEAR	(248,870)	34,519	
OPENING NET ASSETS OF THE FUND	(1,352,208)	(1,386,727)	
CLOSING NET ASSETS OF THE FUND	(1,601,078)	(1,352,208)	

Pension Fund Accounts

NET ASSETS STATEMENT AS AT 31 MARCH 2021

The Net Assets Statement shows the market value of the investments and other assets held by the Pension Fund as at 31 March 2021.

	31/03/21	31/03/20	See note
	£000	£000	
INVESTMENT ASSETS			
Equities			
United Kingdom	0	0	5
Global	19,271	13,342	5
	19,271	13,342	
Managed Funds			
Property	112,040	106,332	5
Equities	852,936	663,396	5
Fixed Interest	207,213	176,092	5
Index Linked	107,210	88,785	5
Other Assets	193,414	275,021	5
	1,472,813	1,309,626	
Cash Held with Custodian	105,524	28,393	8
Derivative Contracts			
Assets	0	1,815	6
Liabilities	0	(1,815)	6
Other Investment Balances	2,769	1,272	7a
TOTAL INVESTMENTS	1,600,377	1,352,633	
Current Assets	4,340	5,070	7b
Current Liabilities	(3,639)	(5,495)	7b
TOTAL NET ASSETS	1,601,078	1,352,208	

The financial statements of the Fund do not take account of the liability to pay pensions or benefits after 31 March 2021. This liability is included within the Authority's balance sheet.

Pension Fund Accounts

NOTES TO THE PENSION FUND ACCOUNTS

1. CONTRIBUTIONS RECEIVABLE

	2020/21 £000	2019/20 £000
Employer Contributions		
Administering Authority	(28,556)	(28,555)
Scheduled Bodies	(6,076)	(5,824)
Admitted Bodies	(807)	(648)
	(35,439)	(35,027)
Employee Contributions		
Administering Authority	(8,566)	(8,251)
Scheduled Bodies	(2,040)	(1,900)
Admitted Bodies	(216)	(218)
	(10,822)	(10,369)

Contributions receivable from employers are shown below:

	2020/21 £000	2019/20 £000
Employer Contributions		
Normal	(34,912)	(33,302)
Early Retirement Strain	(357)	(1,024)
Deficit Funding	(170)	(701)
	(35,439)	(35,027)

2. BENEFITS PAYABLE

<u>By Category</u>	2020/21 £000	2019/20 £000
Pensions	45,729	44,347
Commutation and Lump Sum Retirement Benefits	5,905	9,726
Lump Sum Death Grants	1,983	1,080
	53,617	55,153
<u>By Authority</u>	2020/21 £000	2019/20 £000
Administering Authority	48,055	50,057
Scheduled Bodies	3,984	3,808
Admitted Bodies	1,578	1,288
	53,617	55,153

Pension Fund Accounts

3. MANAGEMENT EXPENSES

	2020/21 £000	2019/20 £000
Administration Expenses	691	698
Oversight and Governance Expenses	509	403
<u>Investment Management Expenses:</u>		
- Transaction Costs	3	13
- Management Fees	1,552	2,444
- Performance Fees	0	0
- Custody Fees	36	35
	2,791	3,593

The reduction in management fees is a result of 2 of the fund managers not providing the details of their management fees deducted at source. This will be revised when the information is received and form part of the post audit amendments. During the year, the Fund incurred management fees that were deducted at source of £0.6m shown in the accounts. It is forecast that the fees from the 2 managers who haven't yet responded will be c£0.7m bringing the amount deducted at source to £1.3m (£1.4m in 2019/20) and the total management fees to £2.2m (£2.4m in 2019/20).

3A. EXTERNAL AUDIT COSTS

	2020/21 £000	2019/20 £000
External Audit Services	36	25
	36	25

4. INVESTMENT INCOME

	2020/21 £000	2019/20 £000
Cash	(59)	(1,003)
Equities	0	0
Fixed Interest	0	0
Index Linked	0	0
Managed Funds (incl Property)	(16,816)	(12,521)
Securities Lending	0	(1)
Other	(587)	(1,427)
	(17,462)	(14,952)

5A. INVESTMENT ANALYSIS

Individual Investment assets with a market value exceeding 5% of the total fund value are:

Asset	Manager	31 March 2021	
		£000	%
UBS Asset Management Life World Equity Tracker	UBS	240,024	15.0
Aquila Life US Equity Index Fund	Blackrock	214,030	13.4
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	126,901	7.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	95,341	6.0

Pension Fund Accounts

Asset	Manager	31 March 2021	
		£000	%
Global Equities			
Harbourvest Global PE Shares	Harbourvest	19,275	100.0
Property			
Schroder Unit TST UK Real Estate	Schroders	15,663	14.0
IPIF Feeder Unit Trust Fund	Schroders	15,439	13.8
Hermes Property Unit	Schroders	11,634	10.4
Metro Ppty Unit Trust	Schroders	11,591	10.3
Real Income Fund	Schroders	9,635	8.6
Blackrock UK FD	Schroders	9,650	8.6
Mayfair Cap Ppty (MCPUT)	Schroders	8,524	7.6
Multi-Let INDL Property Unit Trust	Schroders	8,648	7.7
Legal and General Managed Property Fund	Schroders	5,844	5.2
Managed Equities			
UBS Asset Management Life World Equity Tracker	UBS	240,024	28.1
Aquila Life US Equity Index Fund	Blackrock	214,030	25.1
BlackRock Pensions Aquila Life UK Equity Index	Blackrock	126,901	14.9
UBS Asset Management Life UK Equity Tracker A Nav	UBS	95,341	11.2
Aquila Life European Equity Index Fund	Blackrock	47,196	5.5
Blackrock AM (IE) ISHS EMG Markets Index IE FLX	Blackrock	45,707	5.4
Fixed Interest			
UBS Asset Mgmnt STG Corp Bond Index Fund	UBS	53,393	25.8
UBS GBL Asset Life UK Over 15 Year Gilt Tracker Fund	UBS	52,820	25.5
Blackrock AM (IE) iShares UK Credit Bond Index Fund	Blackrock	52,309	25.2
Blackrock Pensions Aquila Life Over 15 Years UK Gilt Index Fund	Blackrock	48,692	23.5
Index Linked			
Aquila Life Over 5 Yrs Index Fund	Blackrock	54,294	50.6
UBS Asset Mgmnt Life Over 5 Year Index Linked Gilt Tracker	UBS	52,916	49.4
Alternatives			
JP Morgan IIF UK I LP	JP Morgan	73,689	38.1
Partners Group Comp MAC 2017 IV	Partners Group	33,175	17.2
Pemberton Euro Debt Investments Jersey II	Pemberton	38,127	19.7
HIPEP VII (AIF) Partnership Fund LP	Harbourvest	19,803	10.2
HarbourVest Partners X AIF LP	Harbourvest	15,757	8.1

Pension Fund Accounts

An analysis of investment movements in 2020/21 is set out below:

5B. INVESTMENT MOVEMENTS

INVESTMENT MOVEMENTS 2020/21	Value at 31 March 2020 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2021 £000
Global Equities	13,342	0	0	0	5,929	19,271
Managed Equities	663,396	1,677	(46,054)	(4,819)	238,736	852,936
Property	106,332	8,552	(3,119)	0	275	112,040
Fixed Interest Securities	176,092	31,592	(750)	3,246	(2,967)	207,213
Index Linked Securities	88,785	14,483	0	1,573	2,369	107,210
Other Assets*	275,021	15,574	(96,874)	(2)	(305)	193,414
	1,322,968	71,878	(146,797)	(2)	244,037	1,492,084
Cash Deposits	28,393				(834)	105,524
Other Investment Balances	1,272				(7)	2,769
Total Investments	1,352,633				243,196	1,600,377

* Includes Infrastructure, Multi-Asset Credit, Private Equity and Diversified Growth funds.

As at 31 March 2020:

INVESTMENT MOVEMENTS 2019/20	Value at 31 March 2019 £000	Purchases at Cost £000	Sales Proceeds £000	Change in Capital Value £000	Change in Market Value £000	Value at 31 March 2020 £000
Global Equities	13,747	0	0	0	(406)	13,342
Managed Equities	695,931	40,119	(10,600)	1,247	(63,301)	663,396
Property	112,285	3,534	(3,856)	(730)	(4,900)	106,332
Fixed Interest Securities	183,854	6,650	(28,526)	(1,247)	15,360	176,092
Index Linked Securities	92,934	4,550	(11,089)	0	2,390	88,785
Other Assets*	259,751	32,421	(26,236)	(11)	9,096	275,021
	1,358,502	87,274	(80,307)	(741)	(41,761)	1,322,968
Cash Deposits	28,593				409	28,393
Other Investment Balances	70				7	1,272
Total Investments	1,387,165				(41,345)	1,352,633

* Includes Multi-Asset Credit, Private Equity and Diversified Growth funds.

5C. FINANCIAL INSTRUMENTS

The accounting policies describe how the different asset classes of financial instruments are measured, and how income and expenses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category. No financial assets were reclassified between accounting categories during the year ended 31 March 2021, and all assets are held at fair value.

Pension Fund Accounts

	31-Mar-21			31-Mar-20		
	Fair Value through Profit & Loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost	Fair Value through Profit & Loss	Financial Assets at Amortised Cost	Financial Liabilities at Amortised Cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	19,271			13,342		
Managed Funds:						
Property	112,040			106,332		
Managed Equity	852,936			663,396		
Fixed Interest	207,213			176,092		
Index Linked	107,210			88,785		
Other Alternative Assets	193,414			275,021		
Derivative contracts	0			1,815		
Cash deposits		105,524			28,393	
Pending Trades		12,085			17,500	
Dividends & Income Due		1,484			1,276	
Cash Balances		3,877			4,691	
Other Current Assets		122			188	
Total Financial Assets	1,492,084	123,092	0	1,324,783	52,048	0
Financial Liabilities						
Derivative Contracts			0			(1,815)
Pending Trades			(10,793)			(17,511)
Unpaid benefits			0			0
Other Current Liabilities			(3,646)			(5,488)
Total Financial Liabilities	0	0	(14,439)	0	0	(24,814)
Net Financial Assets	1,492,084	123,092	(14,439)	1,324,783	52,048	(24,814)

Net Gains and Losses on Financial Instruments

The following table shows net gains on financial instruments:

	31/03/21 £000	31/03/20 £000
Financial Assets		
Fair Value through Profit and Loss	244,037	(41,760)
Assets at Amortised Cost	(834)	409
Financial Liabilities		
Liabilities at Amortised Cost	(7)	7
	243,196	(41,344)

Valuation of Financial Instruments carried at Fair Value

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into the three levels of the fair value hierarchy, according to the quality and reliability of information used to determine fair values.

Level 1 - consists of assets where the fair values are derived from unadjusted quoted prices in active markets for identical assets and liabilities (e.g. quoted equities, quoted fixed securities, quoted index linked securities and unit trusts).

Pension Fund Accounts

Level 2 - consists of assets where quoted market prices are not available (e.g. where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value).

Level 3 - consists of assets where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

Values as at 31 March 2021

	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/20 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	19,271	1,352,514	128,040	1,499,825
Financial Assets at Amortised Cost	123,433	0	0	123,433
	142,704	1,352,514	128,040	1,623,258
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(14,439)	0	0	(14,439)
	(14,439)	0	0	(14,439)
Net Financial Assets	128,265	1,352,514	128,040	1,608,819

Values as at 31 March 2020

	Quoted Market Price Level 1 £000	Using Observable Inputs Level 2 £000	With Significant Unobservable Inputs Level 3 £000	Total at 31/03/20 £000
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	13,342	1,187,605	122,022	1,322,969
Financial Assets at Amortised Cost	52,238	0	0	52,238
	65,580	1,187,605	122,022	1,375,207
Financial Liabilities				
Fair Value through Profit and Loss	0	0	0	0
Financial Liabilities at Amortised Cost	(22,999)	0	0	(22,999)
	(22,999)	0	0	(22,999)
Net Financial Assets	42,581	1,187,605	122,022	1,352,208

5D. FINANCIAL RISK MANAGEMENT

The Fund's primary long term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). As an investment fund, the Lewisham Pension Fund's objective is to generate positive investment returns for an accepted level of risk. Therefore the Fund holds a mix of financial instruments such as securities (equities, bonds), interests in collective investment schemes (pooled funds), and cash equivalents. In addition, debtors and creditors arise as a result of its operations. The value of these financial instruments is reflected in the financial statements at their fair value.

Pension Fund Accounts

Responsibility for the Fund's risk management strategy rests with the Council's Pension Investment Committee (PIC). Risk management policies are established to identify and analyse the risks faced by the Council's pension operations. The main risks from the Fund's holding of financial instruments are market risk, credit risk, and liquidity risk. These policies are reviewed regularly to reflect change in activity and in market conditions.

The Committee regularly monitors each investment manager, and its investment consultant (Hymans Robertson) advises on the nature of the investments made and associated risks.

The Fund's investments are managed on behalf of the Fund by the appointed investment managers. Each investment manager is required to invest the assets managed by them in accordance with the terms of their investment guidelines or pooled fund prospectus.

The Fund's custodian is Northern Trust, who manage investments and report on them on behalf of the Fund. As the Fund adopts a long term investment strategy, the high level strategic risks described below will not alter significantly during any one year unless there are significant strategic or tactical changes made to the portfolio.

i) Market Risk

Market risk represents the risk that fair value of a financial instrument will fluctuate because of changes in market prices, interest rates or currencies. The Fund is exposed, through its investments in equities, bonds and pooled investment funds, to all these market risks. The aim of the investment strategy is to manage and control exposure to market risk within acceptable parameters while optimising the return from the investment portfolio. In general, market risk is managed through the diversification of investments by asset class and establishing mandate guidelines with investment managers. The risk arising from exposure to specific markets is limited by the strategic asset allocation, which is regularly monitored by the PIC.

a) Other Price Risk – Market

The risk that the value of a financial instrument will fluctuate as a result of factors other than interest rate or foreign currency movements, whether those changes are caused by factors specific to the individual instrument, its issuer or factors affecting the market in general. Market price risk arises from uncertainty about the future value of the financial instruments that the Fund holds. All investments present a risk of loss of capital, the maximum risk being determined by the fair value of the financial instruments. The investment managers mitigate this risk through diversification in line with their own investment strategies and mandate guidelines.

b) Other Price Risk – Sensitivity analysis

The Council and its investment advisors also undertake appropriate monitoring of market conditions and benchmark analysis. The Fund has a long term view on expected investment returns which smoothes out short term price volatility.

Pension Fund Accounts

Following an analysis of historical volatility of asset class returns and expected investment returns, in consultation with the Fund's advisors, the Council has determined that the following asset level percentages of volatility can be applied to the Fund's assets in 2020/21, assuming all other variables such as foreign exchange rates and interest rates remain the same:

Asset Type	Potential Market Movement +/- (% p.a.)
UK Equities	17.1
Global Equities	14.7
Bonds and Index Linked	7.9
Alternatives	4.2
Property	1.9
Cash	1.8

Applied to the period end asset mix, the potential impact on the Fund's market value in the next financial year is as follows:

Asset Type	Final Market Value as at 31 March 2021	Percentage Change	Value on Increase	Value on Decrease
	£000		£000	£000
UK Equities	462,781	17.1	541,917	383,645
Global Equities	409,426	14.7	469,612	349,240
Bonds and Index Linked	314,424	7.9	339,263	289,585
Other Assets	193,414	4.2	201,541	185,287
Property	112,040	1.9	114,211	109,869
Cash	105,524	1.8	107,413	103,635
Total Assets (*), (**)	1,597,609	7.9	1,723,853	1,471,365

* This figure excludes derivatives and other investment balances.

** The % change and value change for Total Assets includes the impact of correlation across asset classes

c) Interest Rate Risk is the risk the Pension Fund is exposed to changes in interest rates and relates to its holdings in bonds and cash. The risk is mitigated by the Fund holding minimum cash balances and a diversified portfolio.

d) Currency Risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£GBP). The Fund was exposed to the following significant foreign currency levels (i.e. £2m and over) at the 31 March 2021, with the previous year in brackets:

Euro	€10.6m	(€9.9m)
US Dollars	\$230.4m	(\$196.4m)

The remaining exposures arise from much smaller holdings of other currencies including Swiss Francs, Norwegian Krone and Australian Dollars.

Pension Fund Accounts

e) Currency risk – sensitivity analysis

The Fund's currency rate risk is routinely monitored by the Council and its investment advisors. In practice, this is achieved by the use of futures and forward foreign exchange contracts, which entitle and oblige the seller and holder to exchange assets or currency on a future date at a predetermined price or rate. The former are tradable on exchanges and the latter are "over the counter" agreements, which neither the purchaser nor the seller may transfer. There is no cost on entering into these contracts but the market value is established as the gain or loss that would arise at the settlement date from entering into an equal and opposite contract at the reporting date. Following analysis of historical data in consultation with the Fund's advisors, the Council considers the likely volatility associated with foreign exchange rate movements in 2020/21 to be 7.7%. This volatility is applied to the Fund's overseas assets at period end as follows:

Asset Type	Asset Value at 31 March 21 £000	Change %	Value on Increase £000	Value on Decrease £000
Overseas Equities	409,426	7.7	440,961	377,891
Overseas Fixed Income	105,701	7.7	113,842	97,560
Other Alternatives	165,955	7.7	178,737	153,173
Total	681,082	7.7	733,540	628,624

ii) Credit Risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to meet an obligation and cause the Fund to incur a financial loss. This is often referred to as counterparty risk. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities. The Fund is exposed to credit risk through its underlying investments (including cash balances) and the transactions it undertakes to manage its investments. The careful selection and monitoring of counterparties – including; brokers, custodian and investment managers - seeks to minimise the credit risk that may occur through the failure to settle transactions in a timely manner.

The Fund is also exposed to credit risk through Securities Lending. The Securities Lending (SL) programme is run by the Fund's custodian, Northern Trust. Northern Trust assign four different risk management oversight committees to control counterparty risk, collateral risk and the overall securities lending programme. The minimum level of collateral for securities on loan is 102%. However, more collateral may be required depending on the type of transaction. To further mitigate risks, the collateral held on behalf of the Pension Fund is ring fenced from Northern Trust. Securities lending is capped by investment regulations and statutory limits are in place to ensure no more than 25% of eligible assets can be on loan at any one time. The Fund's exposure through the SL programme is now reduced as the Fund is now passively managed and SL activity has greatly reduced.

iii) Liquidity Risk

Liquidity risk is the risk that the Pension Fund will have difficulties in paying its financial obligations as they fall due. For example; the benefits payable costs and capital commitments. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The Fund holds a large proportion of assets in instruments which can be liquidated at short notice, normally three working days. As at the 31 March 2021 these assets totalled approximately £1,187m, comprising of bonds and equities, with a further £105.5m held in cash by the custodian on behalf of the Fund and fund managers.

6. DERIVATIVE CONTRACTS

As at 31 March 2021 there were no pending foreign exchange purchases or sales. The net losses related to foreign exchange forward contracts was £6k in 2020/21 (£0k in 2019/20).

Pension Fund Accounts

7A. OTHER INVESTMENT BALANCES

These comprise the following amounts:

	31/03/21 £000	31/03/20 £000
Debtors		
Equity Dividends / Income from Managed Funds	1,494	1,244
Interest and Other Income	(10)	32
Pending Trades	12,085	17,500
Creditors		
Interest and Other Expenditure	(7)	7
Pending Trades	(10,793)	(17,511)
Net	2,769	1,272

7B. NET CURRENT ASSETS

These comprise the following amounts:

Current Assets

	31/03/21 £000	31/03/20 £000
Contributions Due from Admitted/ Scheduled Employers/ Employees	341	191
Interest and Other Income	0	0
Other Current Assets	122	188
Cash in Hand	3,877	4,691
	4,340	5,070

Current Liabilities

	31/03/21 £000	31/03/20 £000
Fund Manager and Custody Fees	(357)	(283)
Consultancy/ Advisory Fees	(33)	(35)
Other Current Liabilities	(3,249)	(5,177)
	(3,639)	(5,495)

Pension Fund Accounts

8. CASH AND BANK

Cash Held With Custodian

The Northern Trust Company is the Fund's global custodian and cash is held to meet the cash flow requirements of the Fund and its managers. The total cash held as at 31 March 2021 was £105.5m (£28.4m as at 31 March 2020). The table below shows how this was split between the Fund Managers.

Fund Manager	31-Mar-21 £'000	31-Mar-20 £'000
Cash Account (Formerly Invesco)	76,471	0
HarbourVest	9,267	5,962
Schroders	8,720	10,941
JP Morgan	6,423	4,655
Partners Group	4,263	1,525
Cash Account (Formerly Fauchier)	365	472
Securities Lending	14	125
UBS	1	21
Pemberton	0	4,018
M&G	0	673
Cash Account (Formerly Investec)	0	1
	105,524	28,393

Pension Fund Bank Account

The Lewisham cash in hand balance of £3.9m represents uninvested cash held in the Pension Fund bank accounts as at 31 March 2021. The Fund's accounts are held with Barclays Bank.

9. POST YEAR END EVENTS

The pre-audit Pension Fund Statement of Accounts was authorised for issue by the Executive Director of Corporate Resources on 06 July 2021. Events taking place after this date are not reflected in the accounts. Where events took place before this date which materially altered the conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect these altered conditions. There are no events after the balance sheet date to report for 2020/21.

10. COMMITMENTS

The Pension Fund was committed to the following capital contributions as at the 31 March 2021:

Fund Manager	Fund	Amount (£'000)	Translated (£'000)
HarbourVest	HIPEP IX AIF SCSp	\$25,000	18,121
HarbourVest	HarbourVest Partners XI AIF L.P.	\$16,688	12,096
HarbourVest	HarbourVest Partners X AIF L.P.	\$12,045	8,731
Pemberton	European Debt Investments Jersey II L.P.	£4,907	4,907
HarbourVest	HIPEP VII (AIF) Partnership Fund L.P.	\$4,875	3,534
HarbourVest	Harbourvest Partners VIII - Cayman Buyout Fund L.P.	\$555	402
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Partnership Fund L.P.	€ 700	596
HarbourVest	Harbourvest Partners VIII - Cayman Venture Fund L.P.	\$190	138
HarbourVest	Harbourvest International Private Equity Partners V - Cayman Direct Fund L.P.	€ 124	106
	Total		48,631

Pension Fund Accounts

11. RELATED PARTY TRANSACTIONS

There have been no material transactions with related parties in the financial year. There were no provisions for doubtful debt and amounts written off in the period.

Eight Councillors sit on the Pensions Investment Committee which oversees the Fund. At each meeting of the Pensions Investment Committee, Councillors are required to make declarations of interest which are recorded.

During the year the following declarations were made:

- Councillor John Muldoon declared an interest as a member of Lewisham's Pension Fund.
- Councillor Caroline Kalu declared an interest as a board member of Lewisham Homes, the Council's housing subsidiary.
- The Chair of the Investment Committee Councillor Mark Ingleby declared an interest as a Councillor elected Director of Lewisham Homes, the Council's housing subsidiary, not in receipt of pension.

Four members and an independent chair make up the membership of the Pensions Board, which assists the administering authority in adhering to the Regulations with regards to its administration and governance of the scheme. At each meeting of the Board, members are required to make declarations of interest which are recorded.

During the year no declarations of interest were made apart from the members being participants in the scheme, although this is a requirement of their Board membership.

No other trustees or Council chief officers with direct responsibility for Pension Fund issues made any declarable transactions with the Pension Fund in the period to 31 March 2021.

The Council, the administering authority, had dealings with the Fund as follows:

- Recharges from the Council for the in-house administration costs borne by the scheme were transacted for £730k (included in Administration Expenses in Note 3). Some cash transactions relating to pension activities are currently effected through the Council's bank account and consequently Pension Fund cash balances are held by the Council from time to time and vice versa.

Pension Fund Accounts

12. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVCs)

Contributing members have the right to make AVCs to enhance their pension. There are currently 45 'open' AVC contracts for LGPS members (i.e. excluding members with AVC contracts who have left Lewisham and now have preserved benefits). Some of these 'open contracts' will be for members who have paid AVCs in the past but who have suspended payments to the scheme for the time being.

The Fund has two AVC providers: Clerical Medical and Utmost (formerly Equitable Life). The value of AVC investments is shown below. The contributions are held by the providers and do not form part of the Lewisham Fund's assets in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

	2020/21			2019/20		
	Utmost £000	Clerical Medical £000	Total £000	Equitable Life £000	Clerical Medical £000	Total £000
Value at the Beginning of Year	421	986	1,407	428	964	1,392
Contributions and Transfers Received	0	251	251	3	182	185
Investment Return	29	0	29	81	(83)	(2)
Paid Out	(94)	(131)	(225)	(91)	(77)	(168)
Value at the End of the Year	356	1,106	1,462	421	986	1,407

13. SCHEDULED BODIES

The following are scheduled bodies to the Fund as at 31 March 2021, arranged in descending order by the value of their contributions in 2020/21:

Lewisham Homes Limited
Haberdashers' Aske's Knights Academy
Christ The King Sixth Form College
St Matthews Academy
Tidemill Academy
Childeric Primary School
St George's Academy

Pension Fund Accounts

14. ADMITTED BODIES

The following are admitted bodies to the Fund as at 31 March 2021, arranged in descending order by the value of their contributions in 2020/21:

Youth First Ltd
Phoenix
Inspace/ BS Phoenix
Sedgehill School
DB Services (left during 2020/21)
Skanska
Change Grow Live / CIS / Penrose
Lewisham Music
Quality Heating
GLL
City West Services
3 C's Support
Fusions Leisure Management
Nviro (left during 2020/21)
Housing 21
Pre-School Learning Alliance
NSL (formerly known as National Car Parks Ltd)
Tower Services

15. STOCK LENDING

The Statement of Investment Principles and Investment Strategy Statement permit the Fund to enter into stock lending whereby the Fund lends other bodies stocks in return for a fee and collateral whilst on loan. Equities and fixed income assets held in segregated accounts in custody may be lent.

The economic benefits of ownership are retained when securities are on loan. The Fund has its full entitlements at all times to any income due, or rights on its securities on the anticipated date of the entitlement so that no economic benefits are foregone as a result of securities lending activity.

Northern Trust is responsible for collecting dividend and interest income on loaned securities from borrowers. The right to vote moves with the securities.

As at the 31 March 2021 the value of aggregate stock on loan was £0m (£0m as at 31 March 2020); the Fund does not currently hold any segregated assets for participation in the securities lending programme.

Collateral

The collateral held as security on loans cannot be sold or re-pledged in the absence of default by the borrower. The Fund did not enter into any stock lending transactions during the financial year, and the value of collateral held as at 31 March 2021 was £0m (£0m as at 31 March 2020).

Pension Fund Accounts

16. MEMBERSHIP

	Active Members		Deferred Beneficiaries		Retired Members	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Administering Authority	5,946	5,590	10,274	10,502	7,940	7,556
Scheduled Bodies	1,094	1,050	1,378	1,234	444	346
Admitted Bodies	102	114	68	124	59	122
	7,142	6,754	11,720	11,860	8,443	8,024

17. AUTHORISATION

These accounts were approved by Council on XXXXXX.