THE
BRITISH STEEL
PENSION SCHEME

Registered number – 12014387

REPORT AND FINANCIAL STATEMENTS

For the Year to 31 March 2023

BRITISH STEEL PENSION SCHEME

Contents

BRITISH STEEL PENSION SCHEME

Trustee and independent advisers

Trustee Company	B.S. Pension Fund Trustee Limited
Registered Office	3rd Floor 1 Ashley Road Altringham WA14 2DT
Directors	K Greenfield (Chairman) - *Independent Trustee Director* C Claydon - *Independent Trustee Director* S Corten - *Member Nominated Trustee Director* B Evans - *Member Nominated Trustee Director* S Luczynski - *Company Nominated Trustee Director* M Wilson – *Company Nominated Trustee Director*
Secretary to the Trustee	M Ross
Administrator	B.S. Pension Fund Trustee Limited 1/2 Dalmore House 310 St. Vincent Street Glasgow G2 5RU
Principal Company and Sponsor	Tata Steel UK Limited
Actuary	G Oxtoby WTW
Auditor	Deloitte LLP
Solicitors	Travers Smith LLP
Investment Managers	Pension Services Limited (*to 31 December 2022*) Legal & General Investment Management Limited
Annuity Providers	Legal & General Assurance Society Limited Prudential plc ReAssure Limited Sun Life Assurance Company of Canada (U.K.) Limited Canada Life Limited
Investment Advisers	WTW JLL Strutt & Parker
Risk Advisers	Lane Clark & Peacock LLP
Independent Property Investment Adviser	S Francis
Custodian	JP Morgan Chase Bank

Bankers	Barclays Bank plc
Corporate Finance Adviser	Penfida Limited
Medical Adviser	PAM Group

BRITISH STEEL PENSION SCHEME

Chairman’s introduction

On behalf of the Trustee of the British Steel Pension Scheme (***the Scheme***) I am pleased to present the Report and Financial Statements for the Scheme for the year ended 31 March 2023.

The year under review has seen notable developments for the Scheme. I am delighted to be able to report that the Trustee made very significant progress during the year towards its objective of securing 103% of all members’ benefits with an insurance company. By the end of the Scheme year, the proportion of Scheme liabilities insured had risen from 5% to just under 60%, as a result of two substantial buy-in transactions executed with Legal and General (***L&G***) in May and November 2022. Shortly after the Scheme year end, a final transaction was agreed, also with L&G, meaning that all member benefits are now insured (including the restoration awards due as part of the documentation establishing the Scheme in 2018).

Although the Scheme was well placed to operate on a low-risk, standalone basis, there remained risks which were difficult to mitigate, in particular around longevity and covenant. Completing these transactions will mean that members’ benefits are now protected by a PRA[1] authorised insurance company with the additional safeguards this provides, so members can be reassured that the Scheme now has the highest possible levels of protections in place to ensure benefits are paid in full. This is a very significant achievement in itself and the fact that it has been achieved many years ahead of the actuarial forecast means that members will be able to receive the restoration awards provided for under the Scheme’s setup documentation much sooner than anticipated.

Following the conclusion of the actuarial valuation as at 31 March 2021, restoration awards totalling c£58 million were made during the year to 31 March 2023 to over 48,000 Scheme pensioners with pre April 1997 service. In addition, as noted above the required conditions have now been achieved for the 3% surplus assets to be used to provide additional moneys to members. My colleagues on the board and I have already begun our consideration of how best to make these further awards and we expect to be able to communicate more details on this in the second half of 2023. At present we anticipate the restoration awards will be made during the early part of 2024.

Ahead of the final insurance transactions taking place, with a view to improving the Scheme’s funding level by aligning investments more closely with insurer pricing, the Trustee and L&G agreed in July 2022 that Legal and General Investment Management (*LGIM*) would manage the assets of the Scheme. The transition was completed in late 2022 and was a key enabler in allowing the Trustee to successfully complete the final buy-in transaction in May 2023.

On behalf of the Trustee and Scheme members I would like to acknowledge the significant contribution the in-house investment team has made over the years. We wish our former colleagues as much success in their future endeavours as they enjoyed during their time with the Scheme whether they have transferred to LGIM or are pursuing career or lifestyle opportunities elsewhere.

There has been widespread interest in how the events following the September 2022 “mini-budget” impacted pension schemes. The announcement of the government’s Growth Plan 2022 was intended to tackle rising energy costs, bring down inflation and help businesses and households alike. Instead, it caused a sudden and significant rise in interest rates which resulted in a chaotic period for some defined benefit pension schemes which, like the BSPS, operated LDI investment strategies to protect against interest rate and inflation risk.

I am pleased to report that although the British Steel Pension Scheme was required to post additional collateral, the Scheme’s hedging programme remained intact, and it was able to fulfil all its collateral obligations with headroom to spare should interest rates have risen further.

[1] Prudential Regulation Authority

Despite the rising interest rates resulting in the value of the Scheme's investments falling in value by over 20%, the rise in rates likewise reduced liabilities and this was a contributor to the Scheme achieving its funding target of 103% on a "buy-out" basis earlier than expected.

Of course, the key priority for any pension scheme is to pay benefits to members accurately and on time. Underpinning this objective is the Trustee's on-going work to "cleanse" data to make sure it reflects members entitlements under the Scheme's rules and any relevant legislation. A key component of this data cleansing work relates to equalising Guaranteed Minimum Pension (*GMP*) entitlements for members with pre 1997 service to reflect recent legal clarifications. This requirement affects most large UK defined benefit pension schemes and is a significant and complicated undertaking. Scheme Officers and Advisers have been working on this project for a number of years. Although the Scheme is well placed relative to many of its peers, it is likely to be 2025 before the work is completed.

Finally, I would like to thank all of my fellow Directors and the Scheme Officers and Advisers for their hard work over what has been a very busy and challenging year.

Keith Greenfield
Chairman of Trustee board

BRITISH STEEL PENSION SCHEME

Report of the Trustee – Year ended 31 March 2023

The British Steel Pension Scheme (***the BSPS*** *or* ***the Scheme***) is operated by a Corporate Trustee, B.S. Pension Fund Trustee Limited (***the Trustee***). The Directors are pleased to present its annual report on the Scheme, together with the Financial Statements for the period ended 31 March 2023.

Constitution of the Scheme

The BSPS is an occupational pension scheme set up under trust to provide benefits for former members of the Old British Steel Pension Scheme (***OBSPS***). It is governed by a Trust Deed dated 28 September 2022, as amended from time to time. The Trustee holds funds on trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed.

Management of the Scheme

Responsibility for setting the strategy and for managing the Scheme rests with the Trustee. The directors of the Corporate Trustee are listed on page 1. The board comprises two Company Nominated Trustee Directors (***CNTD*****s**), two Member Nominated Directors (***MND*****s**) and two Independent Trustee Directors (***ITDs***). Tata Steel UK Limited (***the Company***) is responsible for the appointment and removal of the CNTDs. The board is responsible for the appointment of ITDs and is required to consult with the Pensions Regulator ahead of any appointment. The Company must give its approval to any ITD nominee before the appointment can be ratified.

All directors are appointed for a fixed term not exceeding three years and are required to retire by rotation at the end of their term of appointment. ITDs and MNDs can only be removed within their term of appointment with the approval of all other Trustee directors. CNTDs can be removed by the Company within their term of appointment.

The Trustee board meets at least quarterly, and decisions are reached by consensus. In addition to scheduled board meetings, the Trustee held five special meetings and one dedicated strategy & training day. These were held separately from ordinary Scheme business to allow the board to consider in detail the pros and cons of various possible risk management strategies.

The Trustee board has established the following sub-Committees:

- Audit and Risk Committee (three scheduled meetings each year plus special meetings);
- Disputes and Determinations panel (meetings as required);
- Restoration Working Group (meetings as required);
- Data Working Group (meetings as required); and
- Remuneration Committee (meetings as required).

The day-to-day management and operation of the Scheme is delegated to the in-house pension administration office set out on page 1 and is supervised by the Trustee board. The Trustee board has appointed professional advisors and other organisations to support them in delivering the Scheme's objectives. These individuals and organisations are listed on page 1. Written agreements are in place with each of them.

Trustee directors who are employed within the Company are not paid additionally by the Scheme for their services. Other Trustee directors are paid a fee and reimbursed for expenses incurred in performance with their duties, in accordance with the Trustees board's agreed policy.

Recent developments

During the year, the Trustee continued to focus on its primary long-term goal, which is to be in a position to secure 103% of member benefits with one or more insurers. Having completed an initial buy-in transaction with Legal and General (***L&G***) in November of 2021 under which around 5% of Scheme liabilities were insured, the Trustee concluded two further, substantial buy-in transactions during the year: securing liabilities in respect of around 25% of Scheme liabilities in May 2022 and a further 30% in November 2022. Immediately following the Scheme year end, a fourth and final transaction was agreed in May 2023, again with L&G, under which the remaining 40% of Scheme liabilities were fully insured. All four of the insurance policies were purchased by transfer of Scheme assets with the Scheme retaining sufficient assets to meet its on-going running costs

Securing buy-in policies in this manner removed the investment and longevity risk in respect of all member benefits. Benefit entitlements and the security of member benefits remain unchanged, and the policies are held as investments of the Scheme. The Trustee was able to achieve full insurance of 103% of Scheme liabilities thereby allowing the payment of additional “restoration” awards to members in due course. A sub-committee of the Trustee, the Restoration Working Group, has commenced its consideration of how best to proceed with these awards.

When the Scheme was set up in 2018 it was agreed that, if the Scheme’s financial position at 31 March 2021 was better than expected, an additional one-time lump sum payment could be paid out to certain pensioner members in recognition of the reduced indexation provisions in the Scheme. The valuation of the Scheme at 31 March 2021 showed that the conditions for making such payments had been met, and payments totalling c£58 million were distributed during the year to over 48,000 pensioner members who had pre-1997 service.

Recognising that the total of assets under the management of Pension Services Limited had decreased substantially as a result of the insurance transactions completed in November 2021 and May 2022, and in light of the fact that this was expected to decrease further as the Trustee successfully secured insurance in respect of all Scheme liabilities, the Trustee reached agreement with Legal & General Investment Management (***LGIM***) that it should be appointed to manage the combined assets of the Scheme. Working closely with LGIM, the Trustee successfully completed an exercise to transition all residual assets to LGIM in the final quarter of 2022. Staff whose roles were transferring to LGIM were eligible to have their employment transferred under TUPE regulations. Following the successful conclusion of the work to transfer assets and employees, the Scheme’s former investment offices at Old Broad Street were decommissioned.

The Trustee continued to consider the Scheme’s obligations to respect of climate-related disclosure requirements. The Trustee had previously established processes to identify, manage, and monitor climate related risks and opportunities and to satisfy itself that third parties, such as professional advisers and investment managers, were also taking climate issues into account when providing services to the Trustee, and finalised the timeframe over which it aims to have a carbon neutral investment strategy, along with the metrics used to monitor progress towards that goal. Further details on the Trustee’s agreed approach to reducing the Scheme’s carbon exposure, and the progress made to date towards a fully carbon-neutral position, can be found in the 2023 Climate Change Report, which does not form part of this Annual Report, at: https://www.bspspensions.com/library/17/climate-change-report/ .

The Trustee successfully hosted its first on-line member event in April 2022. The content of the member event included topics of significant interest to Scheme members, most notably around restoration but also including the results of the 2021 Actuarial Valuation, changes to the Trustee board and completion of the initial buy-in transaction with L&G. Over 350 members joined the live event and a recording uploaded to the Scheme website was subsequently viewed by a further 119 individuals. The Trustee obtained positive feedback on the event and agreed to adopt the interactive format for future communication exercises.

The Trustee approved the adoption of the Scheme’s definitive Trust Deed & Rules.

The financial results published in May 2023 for Tata Steel Limited (***TSL***), which is the ultimate parent of Tata Steel UK Limited, included a disclosure of a “material uncertainty” over the future of the UK Company, noting that TSUK continued to face challenging market conditions including energy price volatility, high input costs, and sluggish demand.

Tata Steel Limited has had active and detailed discussions with the UK Government in relation to the future of the UK business including potential government support in order to move forwards with TSUK’s decarbonisation policy. However, it remains uncertain as to whether adequate government support would be agreed to support this. TSUK’s accounts for the year to 31 March 2023 have not yet been finalised. Company representatives have confirmed that they expect the accounts to be signed before the end of August and that they do anticipate the accounts will include a material uncertainty clause.

Although the Scheme has a low exposure to the principal employer’s covenant, as there are no contribution requirements, the Trustee is nevertheless concerned that any weakening of the financial position of the sponsor could potentially result in an insolvency event. Although there is no provision under the Scheme rules which would oblige the Trustee to begin to windup the Scheme in that event, statutory obligations would require the Scheme to enter a Pension Protection Fund (***PPF***) assessment period.

Whilst recognising that TSL has expressed a material uncertainty in relation to the ability of TSUK to continue as a going concern in its annual financial statements/press releases, the Trustee believes that the Scheme continues to be a going concern irrespective of the financial health of TSUK because it has taken legal advice on the potential implications for the Scheme of such an event and is advised that in the current circumstances of all Scheme liabilities, including the requirement to provide for restoration at 103%, having been insured with LGAS, it would demonstrably be the case that the Scheme would be able to provide benefits to all members at a level above the level of PPF compensation. That being the case, the Trustee would expect to exit any PPF assessment period promptly in order to continue to work towards the eventual winding up of the Scheme

On the basis of that advice, the Trustee is satisfied that the Scheme is a going concern and that there is no material uncertainty about its ability to continue as such notwithstanding the current financial position of TSUK.

Report on actuarial liabilities

The Financial Statements set out on pages 23 to 39 do not include liabilities in respect of promised retirement benefits which fall due after the period end. These liabilities are considered by the Scheme Actuary who carries out an actuarial valuation of the Scheme every three years. This valuation considers the funding position of the British Steel Pension Scheme and the level of any contributions payable.

Under section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions, which represent the present value of benefits to which members are entitled based on pensionable service to the valuation date. As described, this is assessed at least every three years using assumptions agreed between the Trustee and the employer and set out in the Statement of Funding Principles, a copy of which is available to Scheme members on request.

The most recent triennial actuarial valuation of the Scheme was carried out as at 31 March 2021 and showed the following results.

Valuation date	***31 March 2021***	*31 March 2018*
Value of technical provisions	***£9,841 million***	*£10,553 million*
Value of assets available to meet technical provisions	***£10,333 million***	*£11,221 million*
Surplus	***£492 million***	*£668 million*
Funding level	***105.0%***	*106.3%*

The value of technical provisions is calculated by projecting the benefits expected to be paid in each year after the valuation date and then discounting the resulting cashflows to obtain a present value. It reflects assumptions about various factors that will influence the Scheme in the future, such as the levels of investment returns, when members will retire and how long they will live. The actuarial method used in the calculation of the technical provisions is the Projected Unit Method and the significant actuarial assumptions used in the calculations are as follows:

Discount rate	*1.45%*
CPI inflation	*3.05%*
Section 148 increases	*4.45%*
Deferred pension revaluation:	
CPI	*3.05%*
CPI capped at 5% pa	*2.80%*
CPI capped at 4% pa	*2.65%*
CPI capped at 3% pa	*2.25%*
CPI capped at 2.5% pa over the whole deferment period	*2.50%*
Pension increases in payment:	
CPI capped at 5% pa	*2.80%*
CPI capped at 3% pa	*2.20%*
CPI capped at 2.5% pa	*1.95%*
Mortality base tables	*Males: SAPS S3 male pensioner tables for "middle" pension amounts with a 1.03 multiplier* *Female pensioners: SAPS S3 female pensioner tables with a 1.03 multiplier* *Female dependants: SAPS S3 female dependant tables with a 1.04 multiplier*
Future improvements in longevity	*CMI 2020 core projections model (with nil weight on 2020 data) with a 1.5% pa long term rate (LTR), including the core value of the (period) smoothing parameter ($S\kappa$) of 7.0 and a nil initial addition to mortality improvements.*
Allowance for commutation	*Members are assumed to commute 25% of their pension at retirement (subject to HMRC restrictions), based upon the current commutation factors*
Operational expenses	*0.5% of liabilities*
PPF levy reserve and other costs	*A reserve equal to 9 x the level of expected PPF levies plus a reserve in respect of potential liabilities arising from GMPs which have not been reconciled with HMRC*
GMP equalisation reserve	*0.45% of liabilities*
2021 AV Restoration budget	*Reserve for additional payment due to some members following the 2021 valuation as prescribed in the Framework Agreement*

The next triennial valuation is due as at 31 March 2024.

Financial developments of the Scheme

The Financial Statements included in this report for the year to 31 March 2023 are the accounts required by the Pensions Act 1995. They have been prepared and audited in compliance with regulations made under sections 41(1) and (6) of that Act.

The overall fund value decreased significantly from the previous year due to a large fall in value of the bond portfolio as markets priced in expectations of higher future interest rates. The asset mix of the Scheme also changed significantly with the proportion in annuity insurance policies rising to 59% (from 5% a year ago). All listed equities were sold and the remaining assets were invested in bonds, cash, property, unlisted equities, private equity and derivatives. This investment mix is in line with the strategic journey plan set by the Trustee and its advisers.

The contribution from investment income was £356 million net of tax, the majority of which came from the annuity and bond portfolios. The purchase of assets across all portfolios was £7,993 million and sales across all portfolios was £9,608 million. The purchase of insurance contracts and transfer of assets as premium represents around half of the transaction activity.

The Trustee employs external valuers to value its real estate holdings on a quarterly basis. Property portfolios provide a good cash matching asset to help meet pension payments. Approximately 50% of the portfolio was transferred L&G as premium for additional buy-in insurance policies.

Payments to leavers remained broadly level, whilst benefit payments reduced in line with the fall in the number of pensioners.

A summary of the Scheme's Financial Statements is set out in the table below.

	Year to 31 March 2023	*Year to 31 March 2022*
	£'000	*£'000*
Net payments from dealings with members	***(477,747)***	*(536,619)*
Net return on investments	***(2,088,901)***	*71,396*
Net decrease in Scheme	***(2,566,648)***	*(465,223)*
Net assets at start of year	***9,868,051***	*10,333,274*
Net assets at end of year	***7,301,403***	*9,868,051*

A more detailed analysis of these financial movements over the period can be found in the Notes to the Financial Statements on pages 25 to 39.

Investment management

During the year there were significant changes to the investments of the Scheme as follows:

- The Trustees concluded second and third buy-in transactions with Legal & General bringing the total of insured liabilities to 59% (versus 5% at the start of the year).
- The Trustees outsourced the management of the remaining assets of the Scheme to Legal & General Investment Management (***LGIM***) and assets were transferred from the in-house asset manager Pension Services Limited (***PSL***)

In line with the Trustee's investment strategy, on 26 May 2022 the Trustee concluded a second buy-in transaction with Legal & General Assurance Society (***LGAS***), under which liabilities in respect of 15,058 pensioners were insured. In addition to approximately 5% already insured, this brought the total insured to just under 30%. The buy-in policy is designed to perfectly match the liabilities covered, thus reducing risk for the Scheme.

On 1 December 2022, the Trustee concluded a third buy-in transaction with LGAS, under which liabilities in respect of 10,320 pensioners and 5,532 deferred pensioners were insured. This brought the total insured to 59% of the Scheme's liabilities.

Recognising that the total assets under the management of Pension Services Limited had decreased significantly as a result of the insurance transactions completed, and with assets expected to decrease further with future transactions, the Trustee reached agreement with Legal & General Investment Management (***LGIM***) that it (LGIM) should be appointed to manage the assets of the Scheme. The transition of assets and supporting staff from PSL to LGIM was completed in the fourth quarter of 2022.

For the non-insured assets the Trustee now delegates the day-to-day management of investments to LGIM. The Trustee sets the investment strategy for the Scheme after taking advice from the Scheme's Investment Adviser, Investment Consultant, and the Scheme Actuary. The Trustee has in place an investment mandate with LGIM who implement this strategy.

The Trustee approved and signed LGIM investment management agreements that were amended to reflect various investment strategy changes during the year. In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (SIP) has been prepared by the Trustee reflecting recent revisions to the investment strategy, a copy of which can be obtained from the Scheme website. LGIM is remunerated by investment management fees contained in the LGIM IMA.

The Trustee's Investment Strategy is designed with the goal of generating sufficient returns to meet the benefits payable under the Trust Deed and Rules. The Trustee had previously agreed a Primary Investment Benchmark which reflected the returns of a portfolio of gilts that mirrored the Scheme liability profile and PSL was given the target of outperforming this Primary Benchmark.

Following the transition of the assets to LGIM the Primary Benchmark was replaced with a target of fully insuring 103% of liabilities. Over the course of the year the Trustee evolved its investment strategy to better mirror insurer pricing by increasing its exposure to interest rates, inflation, swaps spreads and credit markets. At the end of the financial year the full scheme buy-in Funding level was estimated to have reached 103% (2022: 99%).

The hedge ratios for inflation and interest rates risks versus buy-in liabilities were increased over the year and these are set out in the table below:

Buy out liabilities	***March 2023***	***March 2022***
	%	*%*
PV01 (interest rate hedge)	***93***	*76*
IE01 (inflation rate hedge)	***93***	*68*
Funding ratio	***103***	*99*

The Trustee invests directly into bonds, pooled investment vehicles, property, and derivative contracts. The Trustee has authorised the use of derivatives by LGIM for efficient portfolio management purposes and to reduce certain investment risks.

The allocation of investments on 31 March 2023 is set out below. Investments are split into direct investments, pooled investment vehicles and derivatives analysed by underlying economic exposure:

2023	***Direct investments***	***Pooled investment vehicles***	***Derivatives***	***Total***	***Percentage***
	£'000	*£'000*	*£'000*	*£'000*	*%*
Annuity Insurance Policies	*4,290,400*	*-*	*-*	*4,290,400*	*59*
UK Government Bonds and interest & inflation swaps	*415,840*	*-*	*3,677*	*419,517*	*6*
UK Government Index Linked Bonds	*322,790*	*-*	*-*	*322,790*	*4*
UK Corporate Bonds	*1,263,854*	*-*	*-*	*1,263,854*	*17*
Overseas Corporate Bonds	*217,751*	*-*	*-*	*217,751*	*3*
Commercial Property	*462,781*	*-*	*-*	*462,781*	*6*
Listed Equity	*2,453*	*-*	*-*	*2,453*	*-*
Private Equity	*-*	*32,761*	*-*	*32,761*	*1*
Cash & Money Market Funds	*45,026*	*239,467*	*-*	*284,493*	*4*
Other investment balances	*25,409*	*-*	*-*	*25,409*	*-*
	7,046,304	***272,228***	***3,677***	***7,322,209***	***100***

Other than the annuity insurance policies, pooled investment vehicles, OTC (over the counter) derivatives (interest rate and inflation swaps), property and private credit, all investments described above and managed by LGIM are quoted on recognised exchanges. The property portfolios are managed by the LGIM and valued externally by appointed valuers on an annual basis at each Scheme Year end, with interim updates on a calendar quarterly basis. Valuations are conducted by external valuers JLL LLP and Strutt & Parker LLP. The derivatives are valued mark to market on daily basis and the pooled investment vehicles are priced by the investment manager of those vehicles. Private credit is valued by LGIM. The Trustee regards all the investments of the Scheme as readily marketable other than the annuity insurance policies, pooled investment vehicles and private credit.

The Scheme's investment portfolio achieved the following returns over the one-year and three-year periods to 31 March 2023:

	One year to 31 March 2023	*Three years to 31 March 2023*
Fund	*-23.2%*	*-21.2%*

Gilt prices fell significantly during the year as investors priced in much higher future interest rate expectations. The price falls accelerated in September and October following the UK government's "mini budget" and the Bank of England intervened by buying long dated gilts to restore stability. Despite a significant reduction in the value the Scheme's assets the buy-in funding level improved during the year (to 103% from 99% at 31 March 2022) and the Scheme's hedging programme against interest rate and inflation movements remained intact. In common with many schemes, the BSPS was required to post additional collateral to keep its hedging positions in place as interest rates increased. However, the Scheme successfully met all obligations on collateral and the Trustee is satisfied that the Scheme has sufficient headroom to meet further such calls should interest rates see further significant increases.

Membership

The membership of the Scheme at the beginning and end of the year to 31 March 2023 (and changes during the year) is set out below.

	Deferred Pensioners	***Pensioners***	***Total***
At 1 April 2022	*13,211*	*55,964*	***69,175***
Retirements	*(598)*	*1,628*	***1,030***
Commutations	-	*(138)*	***(138)***
Cessation	-	*(70)*	***(70)***
Transfers to other pension arrangements	*(21)*	-	***(21)***
Deaths	*(26)*	*(3,303)*	***(3,329)***
Adjustments	*3*	-	***3***
At 31 March 2023	*12,569*	*54,081*	***66,650***

Pensioners Analysis	
Pensioners	***39,521***
Widow(er)s, civil partners, and dependants	***14,560***
	54,081

Included within the above are 27,649 pensioners and 5,646 beneficiaries whose benefits are provided by annuities.

Pension increases

In accordance with the Rules, pensions in payment are increased every year in April in line with statutory requirements. The increases granted with effect from 1 April 2023 were as follows:

Pension accrued pre 05/04/1997	-
Pension accrued post 06/04/1997 pre 05/04/2005	*5.0%*
Pension accrued post 06/04/2005	*2.5%*

The pension increases referred to above do not apply to that element of the pensions in payment representing any Guaranteed Minimum Pensions (***GMP***), as these increases are provided in part by the Scheme and in part by the State. GMPs earned after April 1988 will be increased by the Scheme in line with inflation up to a maximum of 3% per annum, as required by legislation. GMPs relate to service accrued from April 1978 to April 1997, when contracting out arrangements were changed and GMP ceased to apply. Contracting out arrangements ceased from 6 April 2016.

Deferred pensions were increased in line with statutory requirements as is required under the Scheme Rules. There were no discretionary increases awarded in the year.

Transfers

All of the transfer values paid during the period were calculated and verified by the Scheme Actuary or calculated in accordance with instructions prepared by him in accordance with statutory regulations. The Trustee has instructed the Scheme Actuary not to take account of discretionary increases in calculating cash equivalents for transfer purposes. No transfers were reduced to less than their cash equivalent value.

Guaranteed Minimum Pensions

Before 1997, contracted-out defined benefit schemes, such as the OBSPS, were required to provide Guaranteed Minimum Pensions in respect of contracted-out service. Although contracting-out in defined benefit schemes ceased in April 2016, rights earned at that date were retained and the Scheme is responsible for paying the contracted-out element of benefits payable to members who transferred from the OBSPS.

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded that schemes should be amended to equalise pension benefits for men and women in relation to GMPs. Under the ruling, schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. A further High Court ruling in November 2020 extended this requirement to the calculation of historic transfer value payments.

The Trustee has delegated consideration of the implications for the Scheme of GMP equalisation to the Data Working Group (***DWG***) which met several times during the year. The DWG has agreed a plan which aims to complete the GMP equalisation project over the next 2 years. The Trustee does not believe the Scheme's liability in relation to GMP equalisation is material and will record the expense in relation to any back payments due when it is known.

Governance and risk management

The Trustee board operates a governance framework intended to provide reassurance that the Scheme is well run and as a means of monitoring the effectiveness of the arrangements put in place to manage the Scheme. The governance arrangements for the Scheme take account of the recommendations and Codes of Practice of the Pensions Regulator and best practice and are kept under continuous review.

The Trustee has agreed a business plan to support their governance arrangements. This includes periodic review of registers of risks and conflicts to ensure that appropriate internal controls are put in place and remain effective.

A key part of the Scheme's governance framework is the Integrated Risk Management (***IRM***) framework which is used by the board to facilitate consideration of the risks that may affect the Scheme, in particular how they might interact and how they can best be managed should the risks materialise. The IRM framework is reviewed quarterly at each scheduled meeting of the board to identify, manage and monitor the factors which could impact the prospects of the Scheme achieving its funding objectives and to assist the Trustee to identify when opportunities arise to reduce Scheme risk.

During the year the Trustee considered the results of a review of the Scheme's main professional advisers and a review of the performance of the Scheme's investment consultants against their strategic objectives. The Trustee directors were generally satisfied with the standards of service provided by their advisers, and all were reappointed.

Trustee knowledge and understanding

The Pensions Act 2004 requires individual trustee directors to have appropriate knowledge and understanding of the law relating to pensions and trusts and the investment of the assets and to be conversant with the Scheme's governing documentation. The Pensions Regulator has published a Code of Practice on Trustee Knowledge and Understanding to assist trustees on this matter. The Trustees have agreed a training plan to enable them to meet these requirements.

During the year the Trustee board received training on a range of matters. These included governance matters such as the roles and responsibilities during the wind-up period of a pension scheme, the purchase of buy-in policies, restoration payments, and GMP reconciliation and equalisation developments. Investment training was also received on a range of possible scenarios following the completion of buy-in transactions.

Data Protection

The General Data Protection Regulation (***GDPR***) imposes obligations on those who hold and process personal data and provides data subjects with certain rights. The Trustee is a data controller for the Scheme and is required to hold personal data relating to Scheme members, who are data subjects, in order to administer and pay benefits. The GDPR applies to the Trustee in respect of such data.

The Trustee is committed to protecting and respecting the privacy of members' personal data and has put in place agreements with relevant third parties to ensure that data is protected and used properly. The Trustee will only share the information necessary to administer and operate the Scheme or if required to do so by law.

A Privacy Statement, which describes how the Scheme obtains, holds, and uses personal data can be found on the scheme website. The Privacy Statement was reviewed and updated during the year. The buy-in policy effected during the year by the Trustee means that Legal & General is now a data controller in relation to the Scheme and L&G's Privacy Statement can also be found on the Scheme website.

Statement of Trustee's responsibilities

The audited financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to scheme members, beneficiaries, and certain other parties, audited financial statements for each scheme year which:

i.) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

ii.) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. It is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is also responsible for the maintenance and integrity of the www.bspspensions.com website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Company and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the Schedule.

The most recent actuarial valuation of the Scheme was carried out as at 31 March 2021 and a Schedule of Contributions was thereafter agreed between the Trustee and the Company and certified by the Scheme Actuary on 21 January 2022. No contributions were payable during the year. A copy of the Scheme Actuary's certificate in respect of the Schedule of Contributions is included on page 42 of this annual report.

Further information

The Scheme operates an Internal Dispute Resolution Procedure (***IDRP***) and members should raise any disputes with the Trustee in the first instance. Details of the IDRP can be found on the scheme website.

The Money and Pensions Service (***MAPS***) is an independent voluntary organisation that provides free, impartial guidance to members and beneficiaries of pension schemes. MAPS can be contacted at 120 Holborn London EC1N 2TD.

The Pensions Ombudsman (***TPO***) can investigate and determine any complaint or dispute of fact or law in relation to occupational pension schemes. TPO can be contacted at 10 South Colonnade Canary Wharf London E14 4PU.

The Pension tracing Service has been established to help individuals to keep track of benefits they may have as a result of service with former employers. The Pension Tracing Service can be contacted at The Pension Service 9 Mail Handling Site A Wolverhampton WV98 1LU.

The Pensions Regulator (***tPR***) is responsible for the regulation of UK workplace pension schemes. In accordance with regulatory requirements the Scheme submits an annual scheme return to tPR. The Trustee is also required to provide certain information to tPR for the purposes of maintaining a record of the addresses and other basic details of all UK occupational pension plans in operation. TPR can be contacted at Napier House, Trafalgar Place, Brighton BN1 4DW.

General enquiries about the Scheme, or about an individual's entitlement to benefits, should be addressed to the Administrator. Alternatively, enquiries may be made by e-mail to pension.enquiries@bspspensions.com or via the Scheme website (*www.bspspensions.com*) or by telephone on 0330 440 0844.

Signed for and on behalf of the Trustee of the British Steel Pension Scheme on 24 August 2023.

K Greenfield
Chairman

BRITISH STEEL PENSION SCHEME

Implementation Statement

Introduction

From 1 October 2020, and on an annual basis, the Trustee is required to make publicly available online a statement (***the Implementation Statement***) which:

- sets out how, and the extent to which, in the opinion of the Trustee, the Scheme's policies on voting and engagement have been followed during the year, and

- describes the voting behaviour by, or on behalf of, the Trustee (including the most significant votes cast by the Trustee or on its behalf) during the year and state any use of the services of a proxy voter during that year.

This Implementation Statement covers the Scheme year from 1 April 2022 to 31 March 2023 inclusive (referred to herein as ***the Scheme year***). The policies referenced above are set out in paragraphs 26, 27 and 28 of the Scheme's SIP dated 1 December 2022 and are quoted below for ease of reference.

"26. The Trustee recognises that effective stewardship (including the exercise of voting rights and engagement) can protect and enhance the value of investments. The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to LGIM and to encourage LGIM to exercise those rights. Rights attached to investments, including voting rights, will be exercised for the benefit of the Fund. Given the Fund's investment strategy, the exposure to investments which have such rights are expected to be very limited."

"27. With regards to engagement activity, the Trustee recognises that there are a wide range of issues which can influence the operation and performance of individual investments. The Trustee has identified Climate Risk as a key risk for the Scheme, and as such expects this issue to be prioritised by LGIM when engaging on the Trustee's behalf. Aside from Climate Risk, the Trustee's expectation is that LGIM will determine the other issues on which it will engage on a case by case basis, based on its assessment of what will have the greatest impact on maximising the long term sustainable return from the investments."

"28. The Trustee will engage with LGIM on a regular basis, and at least annually, to understand how financially material considerations have been taken into account in the management of the Fund, and how their responsibilities with regards to voting and engagement have been discharged."

The Trustee considers that all SIP policies in relation to voting and engagement were adhered to over the Scheme year.

Updates to the SIP

The SIP was updated several times during the year to reflect the buy-in transactions completed and the outsourcing of the remaining assets of the Scheme to LGIM. The above policies were updated to allow for these changes. Detail on LGIM's voting and engagement approach is further included later in the Statement.

The latest version of the SIP can be found on the Scheme website together with a copy of this Implementation Statement.

Adherence to the Scheme's voting and engagement policy

Trustee delegates the responsibility for voting and engagement with relevant parties in relation to the Scheme's underlying investments to LGIM. This section provides commentary on how the Scheme's voting and engagement policies as set out in the SIP were implemented over the Scheme year, as well as setting out the voting behaviour of LGIM over the same period. The Trustee considered LGIM's approach to voting and engagement as part of their appointment.

LGIM's engagement approach

LGIM's voting and engagement activity is driven by a dedicated Investment Stewardship team. LGIM's voting and engagement policies are formally reviewed on an annual basis considering any feedback received from clients. LGIM seek to engage with clients and other stakeholders on an ongoing basis. Through the engagement undertaken by LGIM, the Trustee expects them to act as responsible stewards of capital as applicable to the mandates managed on behalf of the Trustee. The Trustee believes climate change is a current stewardship priority, and where possible is looking to reflect this within the voting and engagement activities undertaken.

Certain members of the dedicated Investment Stewardship team have specific sectoral and geographical specialisations. The aim is to ensure that the approach is as streamlined as possible by allowing the members of the team that engage with certain corporations to also be responsible for conducting the voting activity.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they have put in place a custom voting policy with specific voting instructions for ISS to follow. LGIM established monitoring controls to ensure that votes are fully and effectively executed by ISS in accordance with their custom voting policy.

Implementation of voting within the Scheme

The Trustee's policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to LGIM. Rights attached to investments, including voting rights, will be exercised for the benefit of the Scheme.

The most significant voting activity happened within the Global Listed Infrastructure Equities mandate which was managed by LGIM for the full Scheme year. LGIM used ISS in executing the votes in line with their custom voting policy. The following statistics set out LGIM's voting activity with respect to the Global Listed Infrastructure mandate.

How many meetings were you eligible to vote at over the year to 31/03/2023?	*80*
How many resolutions were you eligible to vote on over the year to 31/03/2023?	*1,027*
What % of resolutions did you vote on for which you were eligible?	*100.00%*
Of the resolutions on which you voted, what % did you vote with management?	*75.95%*
Of the resolutions on which you voted, what % did you vote against management?	*24.05%*
Of the resolutions on which you voted, what % did you abstain from?	*0.00%*
In what % of meetings, for which you did vote, did you vote at least once against management?	*86.25%*
What % of resolutions, on which you did vote, did you vote contrary to the recommendation of your proxy adviser? (if applicable)	*19.18%*

LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management[2].

In terms of significant votes, during the year, LGIM did not actively support the management of Vinci SA, Xcel Energy Inc and American Electric Power Company Inc and voted against resolutions for a Joint Chair/CEO for the following reason: a vote against is applied as LGIM expects the roles of Board Chair and CEO to be separate and not to be recombined once separated. These two roles are substantially different and a division of responsibilities ensures there is a proper balance of authority and responsibility on the board. LGIM considers these votes to be significant as it is in application of an escalation of their vote policy on the topic of the combination of the board chair and CEO (escalation of engagement by vote).

The existing voting and engagement policies of PSL remained in place during the period until they ceased to provide investment management services to the Scheme. The voting rights of the Scheme attached to the equities which were managed by LGIM for the full Scheme year and consequently PSL did not exercise any voting rights on behalf of the Scheme during the period under review.

Summary and conclusions

The Trustee considers that all SIP policies in relation to voting and engagement were adhered to over the Scheme year.

[2] The vote instructions can be found online at: https://vds.issgovernance.com/vds/#/MjU2NQ==/

Independent Auditor’s report to the Trustee of the British Steel Pension Scheme

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of British Steel Pension Scheme (***the Scheme***):

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

We have audited the financial statements which comprise:

- the fund account;
- the statement of net assets (available for benefits);
- the accounting policies: and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “*The Financial Reporting Standard applicable in the UK and Republic of Ireland*” (United Kingdom Generally Accepted Accounting Practice).

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 Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (***the FRC’s***) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of Trustee

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Scheme's industry and its control environment and reviewed the Scheme's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of the Trustee about its own identification and assessment of the risks of irregularities, including those that are specific to the Scheme's business sector.

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Pension Act 1995, the Pensions Act 2004, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Scheme's ability to operate or to avoid a material penalty. These included the Scheme's regulatory requirements.

We discussed among the audit engagement team including relevant internal specialists such as property, actuarial and IT specialist regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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

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

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it 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 Scheme's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Reading

United Kingdom

24 August 2023

BRITISH STEEL PENSION SCHEME

Independent Auditor’s Statement about Contributions to the Trustee

We have examined the Summary of Contributions to the British Steel Pension Scheme (***the Scheme***) in respect of the Scheme year ended 31 March 2023 which is set out on page 40.

In our opinion, contributions for the Scheme year ended 31 March 2023, as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid for the period 1 April 2022 to 31 March 2023 at least in accordance with the Schedule of Contributions certified by the Scheme Actuary on 21 January 2022.

Scope of work on Statement about Contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the Summary of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of the Trustee and the Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 14, the Scheme’s Trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions and to report our opinion to you.

Use of our statement

This statement is made solely to the Trustee, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body, for our work, for this statement, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Reading, United Kingdom

24 August 2023

BRITISH STEEL PENSION SCHEME

Fund Account for the year ended 31 March 2023

	Notes	***Total Year to 31 March 2023 £'000***	*Total Year to 31 March 2022 £'000*
Contributions and Benefits			
Contributions		**-**	-
Benefits payable	*4*	***(448,627)***	*(512,733)*
Payments to and on account of leavers	*5*	***(17,866)***	*(12,354)*
Administrative expenses	*6*	***(4,912)***	*(5,039)*
Strategy and Risk Management expenses	*7*	***(5,244)***	*(3,564)*
Governance expenses	*8*	***(633)***	*(738)*
Levies	*9*	***(465)***	*(2,191)*
Net payments from dealings with members		***(477,747)***	*(536,619)*
Return on Investments			
Investment income less taxation	*10*	***356,344***	*296,792*
Change in market value of investments	*15*	***(2,412,524)***	*(204,489)*
Interest payable	*12*	***(14,155)***	*(3,221)*
Transaction costs	*16*	***(5,593)***	*(9,205)*
Investment management and administration expenses	*19*	***(12,973)***	*(8,481)*
Net return on investments		***(2,088,901)***	*71,396*
Net decrease in the fund during the year		***(2,566,648)***	*(465,223)*
Net Assets of the Scheme			
At beginning of year		***9,868,051***	*10,333,274*
At end of year		***7,301,403***	*9,868,051*

The notes on pages 25 to members. 39 form part of these financial statements.

BRITISH STEEL PENSION SCHEME

Statement of Net Assets (available for benefits) as at 31 March 2023

	Notes	***Total Year to 31 March 2023 £'000***	*Total Year to 31 March 2022 £'000*
Investment assets	*15*		
Equities		***2,453***	*448,577*
Bonds		***2,220,235***	*8,986,321*
Properties		***462,781***	*1,239,544*
Pooled investment vehicles	*13*	***272,228***	*149,697*
LGAS buy-in		***4,290,400***	*465,900*
Derivatives	*14*	***8,712***	*8,619*
Other investments		***1***	*11*
Cash and cash equivalents		***45,026***	*144,165*
Other investment balances		***34,270***	*112,225*
		7,336,106	*11,555,059*
Investment liabilities			
Derivatives	*14*	***(5,035)***	*(38,364)*
Repo		***-***	*(1,606,061)*
Other investment balances		***(8,862)***	*(12,856)*
		(13,897)	*(1,657,281)*
Total net investments		***7,322,209***	*9,897,778*
Current assets	*21*	***32,567***	*47,882*
Current liabilities	*22*	***(53,373)***	*(19,609)*
		(20,806)	*28,273*
Provisions for liabilities	*23*	***-***	*(58,000)*
Net Assets of the Scheme		***7,301,403***	*9,868,051*

The notes on pages 25 to 39 form part of these Financial Statements. The Financial Statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme period.

Signed for and on behalf of the Trustee of the British Steel Pension Scheme on 24 August 2023.

K Greenfield
Chairman

C Claydon
Director

1. General information

The British Steel Pension Scheme (***the Scheme***) is an occupational pension scheme established under trust. The Scheme was established to provide retirement benefits to former members of the Old British Steel Pension Scheme who elected to switch into the Scheme in preference to entering a Pension Protection Fund assessment period. The Scheme is not open to new members.

The address of the Scheme's principal office is Dalmore House, 310 St. Vincent Street, Glasgow G2 5RU. B.S. Pension Fund Trustee Limited is the corporate managing trustee and its six directors are the owners of the company shares on equal basis and they hold these shares on trust for the membership.

The Scheme is a registered pension scheme under the Chapter 2, Part 4 of the Finance Act 2004. This means that income and capital gains earned by the Scheme receive preferential tax treatment.

2. Basis of Preparation

The Financial Statements have been prepared in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (Revised November 2018).

The Financial Statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet benefit obligations in the normal course of affairs (continue to operate) for at least the next twelve months. In reaching this conclusion, the Trustee has taken into account the impact on investments, portfolio liquidity, cashflow requirements and the employer covenant. This assessment, together with income and capital growth from its assets, gives the Trustee confidence to prepare the financial statements on a going concern basis.

Post the year-end the Trustee has acquired insurance policies to cover the remaining benefits and an additional 3% of the benefit liabilities. With all liabilities covered by insurance policies the risk of a call on the employer is substantially reduced. The Trustee is moving to a full buyout which will see the scheme wound up with benefits being provided by annuity policies. This is expected to take some years to complete.

The financial results published in May 2023 for Tata Steel Limited (***TSL***), which is the ultimate parent of Tata Steel UK Limited, included a disclosure of a "material uncertainty" over the future of the UK Company, noting that TSUK continued to face challenging market conditions including energy price volatility, high input costs, and sluggish demand.

Tata Steel Limited has had active and detailed discussions with the UK Government in relation to the future of the UK business including potential government support in order to move forwards with TSUK's decarbonisation policy. However, it remains uncertain as to whether adequate government support would be agreed to support this. TSUK's accounts for the year to 31 March 2023 have not yet been finalised. Company representatives have confirmed that they expect the accounts to be signed before the end of August and that they do anticipate the accounts will include a material uncertainty clause.

Although the Scheme has a low exposure to the principal employer's covenant, as there are no contribution requirements, the Trustee is nevertheless concerned that any weakening of the financial position of the sponsor could potentially result in an insolvency event. Although there is no provision under the Scheme rules which would oblige the Trustee to begin to windup the Scheme in that event, statutory obligations would require the Scheme to enter a Pension Protection Fund (***PPF***) assessment period.

Whilst recognising that TSL has expressed a material uncertainty in relation to the ability of TSUK to continue as a going concern in its annual financial statements/press releases, the Trustee believes that the Scheme continues to be a going concern irrespective of the financial health of TSUK because it has taken legal advice on the potential implications for the Scheme of such an event and is advised that in the current circumstances of all Scheme liabilities, including the requirement to provide for restoration at 103%, having been insured with LGAS, it would demonstrably be the case that the Scheme would be able to provide benefits to all members at a level above the level of PPF compensation. That being the case, the Trustee would expect to exit any PPF assessment period promptly in order to continue to work towards the eventual winding up of the Scheme

On the basis of that advice, the Trustee is satisfied that the Scheme is a going concern and that there is no material uncertainty about its ability to continue as such notwithstanding the current financial position of TSUK.

3. Accounting policies

a) Investments

The principal accounting policies of the Scheme are as follows:

i. Investments are included at fair value.

ii. Most listed investments are stated at bid price at the date of the Statement of Net Assets.

iii. Accrued income is accounted for within investment income. Where applicable, fixed interest and index linked securities have their respective sinking factors and indexation factors applied to the valuation.

iv. Unquoted securities are included at fair value estimated by the Trustees based on advice from the investment manager.

v. The private equity portfolio, infrastructure funds and the high return fixed interest funds have been valued using the latest company or limited partnership financial statements available as at 31 March 2023, or at fair value if lower, as determined by the Trustee Board on behalf of the Trustee, based on advice from the investment manager. Fair value includes consideration of post year end sales.

vi. Maturity properties portfolio tend to share certain characteristics, namely long lease terms, good tenant covenants and rent reviews subject to inflation linked or fixed uplifts. These properties are valued on the same basis as the properties held in the Growth portfolio to Fair value as defined by the RICS Red Book.

vii. The net income related to the properties has been separately disclosed. The Scheme holds income strip assets amounting to £96 million (2022: £97 million). These valuations are provided by JLL and have great regard to the Initial Yield long dated income. The overall valuation takes into account various attributes including, the property location, property use, property condition, tenant covenant, property tenure, rent passing, lease breaks, lease expiries and underlying residual value of the property.

viii. Property development costs are valued as per the contractual agreement at the balance sheet date and are held at cost until completion.

ix. The buy-in policies purchased with Legal & General Assurance Society Limited has been included in the accounts at the valuation provided by the Scheme actuary.

x. All other annuities purchased in the name of the Trustee have been included at nil value in the Financial Statements on the grounds of materiality.

xi. Derivatives are stated at fair value as at 31 March 2023.

- Exchange traded derivatives are stated at fair value determined by using market quoted prices.
- Swaps are valued taking the current value of future cash flows arising from the swap determined by using discounted cash flow models and market data on 31 March 2023.
- All gains and losses arising on derivative contracts are reported within "Change in Market Value".

- Receipts and payments arising from derivative instruments are reported as sale proceeds or purchase of investments.

b) Investment income

i. Dividends from quoted securities are accounted for when the security is declared ex-dividend.

ii. Fixed interest income and index linked interest income have indexation and sinking factors applied to the income receivable where applicable.

iii. Interest is accrued daily.

iv. Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income. Irrecoverable withholding taxes are reported separately as a tax charge.

v. Rents from properties are recognised in accordance with the terms of the underlying leases and stated net of expenses.

vi. Receipts from annuity policies held by the Trustees to fund benefits payable to Scheme members are included within investment income on an accruals basis.

c) Foreign currencies

The functional and presentational currency of the Scheme is sterling. Balances denominated in foreign currencies are translated into sterling at the rate prevailing on 31 March 2023. Asset and liability balances are translated at the bid and offer rates, respectively. Transactions denominated in foreign currencies are translated at the rate ruling on the date of the transaction. Differences arising on investment balance translation are accounted for in “Change of market value” in the Fund Account.

d) Contributions

There is no further accrual of benefits in the Scheme and no ordinary contributions from employees or employer are payable. Employer deficit funding contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions and Recovery Plan under which they are being paid.

e) Payments to members

Benefits are accounted for in the year in which they fall due for payment. Where there is a choice, benefits are accounted for in the year in which the member notifies the Trustees of their decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving. Pensions in payment are accounted for in the period to which they relate.

Individual transfers out are accounted for when paid which is normally when member liability is discharged. Group transfers are accounted for in accordance with the terms of the transfer agreement.

f) Expenses

Expenses are accounted for on an accruals basis. The Scheme bears all the direct costs of administration.

g) Provisions

Provisions are recognised when the Scheme has a present obligation (legal or constructive) as a result of a past event, it is probable that the Scheme will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

4. Benefits payable

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Pensions	***(432,119)***	*(439,279)*
Commutations	***(1,131)***	*(1,035)*
Lump sum retirement benefits	***(14,449)***	*(13,732)*
Lump sum death benefits	***(882)***	*(655)*
Taxation	***(46)***	*(32)*
Restoration payments due	**-**	*(58,000)*
	(448,627)	*(512,733)*

Restoration payments due relate to surplus payments made in 2022/23 to qualifying members who had pre-6 April 1997 pension in payment on 31 March 2021. See Note 23 for additional detail. Following agreement of the final buy-in insurance transaction the Scheme has satisfied the necessary conditions to make additional restoration awards to members under the agreement reached when the Scheme was set up. These awards are expected to be made through enhanced future benefits to members.

5. Payments to and on account of leavers

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Transfers to other pension schemes	***(14,400)***	*(402)*
Transfers to personal pensions	***(3,466)***	*(11,952)*
	(17,866)	*(12,354)*

Transfers to other pension schemes comprises a payment of £14.4 million to Open Trustees Limited in respect of potential future claimants of GMP liabilities in the OBSPS.

6. Administrative expenses

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Staff costs	***(1,058)***	*(854)*
Establishment costs	***(184)***	*(949)*
Professional fees	***(2,716)***	*(2,196)*
Computer system costs	***(684)***	*(625)*
Communication costs	***(284)***	*(276)*
Other costs	***14***	*(139)*
	(4,912)	*(5,039)*

7. Strategy and risk management expenses

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Professional fees	***(5,244)***	*(3,564)*
	(5,244)	*(3,564)*

8. Governance expenses

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Professional fees	***(118)***	*(608)*
Audit fees	***(212)***	*-*
Directors' fees	***(126)***	*(117)*
Trade subscriptions	***(16)***	*(13)*
Insurances	***(161)***	*-*
	(633)	*(738)*

Audit fees of £50,000 for 2021/22 are included within Investment Management and Administration Expenses (Note 19).

9. Levies

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Pension Protection Fund	***(192)***	*(2,064)*
The Pensions Regulator	***(271)***	*(71)*
Financial Reporting Council	***(2)***	*-*
Fraud Compensation Levy	***-***	*(56)*
	(465)	*(2,191)*

10. Investment income

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Net dividends from equities	***1,679***	*8,444*
Income-from LGIM	***-***	*12,633*
Net income from bonds	***124,026***	*206,537*
Net rental income	***41,109***	*57,899*
Private Equity Income	***982***	*-*
Income from PIVs	***-***	*1,968*
Net income from class actions	***-***	*87*
Income from annuities	***186,545***	*9,615*
Income from reverse repo	***-***	*113*
Income from cash	***3,248***	*10*
Losses on foreign currencies	***(5,294)***	*-*
Derivative profits and losses	***4,017***	*-*
Miscellaneous Income	***40***	*-*
Income before taxation	***356,352***	*297,306*
Taxation	***(8)***	*(514)*
Net income	***356,344***	*296,792*

Due to the increase in assets managed by LGIM, income earned is allocated to the relevant class of securities in 2022/23.

11. Taxes on investment income

The British Steel Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

12. Interest payable

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Overdraft interest with custodian	***(19)***	*(34)*
Interest payable on repurchase agreements	***(14,136)***	*(3,187)*
	(14,155)	*(3,221)*

Interest payable is due to interest charges for holding foreign currencies and interest payable on repo agreements accruing daily on borrowings. All Repo's were terminated prior to 31 March 2023 (2022: £1,606.1 million).

13. Pooled Investment Vehicles (PIVs)

The Scheme's holdings of PIVs are analysed below:

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
UK private equity funds	***25,800***	*27,517*
Global private equity funds	***6,961***	*17,236*
Cash funds	***239,467***	*104,944*
	272,228	*149,697*

14. Derivatives

Objectives and policies

The Trustee has authorised the use of derivatives in a controlled manner to facilitate the timely implementation of significant asset allocation moves, for the purpose of efficient portfolio management, to reduce investment risk and to facilitate closer asset/liability management. The use of derivative contracts for such purposes is subject to prior approval by the Trustee Board.

Swaps

The Trustee's aim is to match, as far as possible, the fixed income portfolio to the Scheme's long-term liabilities, particularly in relation to their sensitivities to inflation and interest rate movements.

Inflation and interest swaps are used as "overlays" in conjunction with the increased non-government fixed interest bond holdings to match liabilities and to improve potential returns. The Scheme has swap contracts outstanding as at 31 March 2023 relating to its fixed interest investment portfolio and these contracts are centrally cleared with LCH as the central counterparty clearing house and HSBC acting as the Designated Clearing Member for the scheme. The details are:

	Year to 31 March 2023		*Year to 31 March 2022*	
	Assets	***Liabilities***	*Assets*	*Liabilities*
	£'000	***£'000***	*£'000*	*£'000*
Swaps – inflation	***8,712***	***-***	*8,619*	*(38,323)*
Swaps - interest	***-***	***(5,029)***	*-*	*-*
	8,712	***(5,029)***	*8,619*	*(38,323)*

Under the OTC contracts for inflation rate contracts, the Scheme had deposited £88.1 million (2022: £76.3 million) and received £nil of Gilts (2022: £nil) as collateral for the fair value with the London Clearing House as at 31 March 2023. The Scheme held collateral against the contracts showing unrealised gains and posted collateral for unrealised losses. The deposited collateral is reported within the Scheme's net assets.

31 March 2023

Type of swap	*Number of contracts*	*Expiration*	*Nature of swap*	*Notional amount of outstanding contracts*	*Aggregate assets*	*Aggregate liabilities*
				£'000	***£'000***	***£'000***
Within 5 years						
Inflation swap	*1*	*October 2027*	*Pay 4.89% for UK RPI*	*221,000*	***434***	*-*
Within 5 to 10 years						
Inflation swap	*3*	*October 2023 to November 2032*	*Pay 4.10% - 4.31% for UK RPI*	*236,000*	***2,538***	*-*
Interest Swap	*2*	*November 2032*	*Pay SONIA receive 3.41%*	*181,000*	***-***	*(1,086)*
Within 10 to 20 years						
Inflation swap	*3*	*November 2037 to February 2043*	*Pay 3.56% - 3.79% for UK RPI*	*190,000*	***5,740***	*-*
Interest swap	*4*	*November 2036 to October 2041*	*Pay SONIA receive 3.28% - 3.35%*	*312,000*	***-***	*(3,943)*
					8,712	***(5,029)***

31 March 2022

Type of swap	*Number of contracts*	*Expiration*	*Nature of swap*	*Notional amount of outstanding contracts*	*Aggregate assets*	*Aggregate liabilities*
				£'000 / $'000	***£'000***	***£'000***
Within 5 years						
Inflation swap	*1*	*February 2024*	*Pay 2.35% for US CPI*	*- / 50,000*	***811***	*-*
Within 5 to 10 years						
Inflation swap	*12*	*June 2028 to January 2029*	*Pay 1.95% - 2.89% for US CPI*	*- / 50,000*	***5,688***	*(38,323)*
Within 40 years						
Inflation swap	*1*	*January 2059*	*Pay 3.33 for UK RPI*	*10,000 / -*	***2,120***	*-*
					8,619	***(38,323)***

Swap positions open at the start of the year were closed as part of the transition of investment management to LGIM and replaced with the swaps detailed above.

Forward foreign exchange

Most assets are sterling denominated. The Scheme is subject to currency risk when the Scheme's investments are held in overseas markets and therefore the fair value or future cash flows of these overseas investments fluctuate due to changes in foreign exchange rates. The Trustee, through LGIM, has put in place a currency hedging arrangement using forward foreign exchange contracts. The objective of the arrangement is to remove the currency risk in the portfolio. The Scheme's total net exposure to fluctuations in foreign currency exchange rates by major currency exposure at the balance sheet date was as follows:

31 March 2023

Type of Contract	***Spot Settlement***	***Currency Bought***	***Currency Sold***	***Aggregate liabilities***
		'000	*'000*	*£'000*
Forward OTC	*Within 1 month*	*£12,843*	*€14,471*	*(7)*
				(7)

31 March 2022

Type of Contract	***Spot Settlement***	***Currency Bought***	***Currency Sold***	***Aggregate liabilities***
		'000	*'000*	*£'000*
Forward OTC	*Within 1 month*	*£398,507*	*$522,090*	*(17)*
Forward OTC	*Within 1 month*	*£72,464*	*$94,705*	*(6)*
Forward OTC	*Within 1 month*	*£21,768*	*€18,639*	*(18)*
				(41)

15. Investments reconciliation

Reconciliation of investments held at the beginning and the end of the year.

	Opening Value £'000	***Purchase Costs £'000***	***Sale Proceeds £'000***	***Change in Market Value £'000***	***Closing Value £'000***
Equities	***448,577***	*14,564*	*(461,743)*	*1,055*	***2,453***
Bonds	***8,986,321***	*1,744,561*	*(6,865,092)*	*(1,645,555)*	***2,220,235***
Properties	***1,239,544***	*161*	*(572,714)*	*(204,210)*	***462,781***
Pooled Investment Vehicles	***149,697***	*1,845,535*	*(1,723,974)*	*(8,030)*	***272,228***
Derivatives	***(29,745)***	*60*	*34,037*	*(675)*	***3,677***
Other investments	***11***	*-*	*-*	*(10)*	***1***
LGAS Insurance buy-in	***465,900***	*4,379,599*	*-*	*(555,099)*	***4,290,400***
	11,260,305	*7,993,480*	*(9,589,486)*	*(2,412,524)*	***7,251,775***
Cash deposits	***144,165***	*-*	*-*	*-*	***45,026***
Other investment balances	***112,225***	*-*	*-*	*-*	***34,270***
Repo	***(1,606,061)***	*-*	*-*	*-*	***-***
Other investment balances	***(12,856)***	*-*	*-*	*-*	***(8,862)***
Total net investment assets	***9,897,778***	*7,993,480*	*(9,589,486)*	*(2,412,524)*	***7,322,209***

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

All Repurchase and Reverse Repurchase contracts were closed during the year with swaps being used to manage interest and inflation risks. As at 31 March 2022, the borrowings on the Repurchase Agreement were £1,606.1 million plus interest payable of £3.2 million as shown in Note 12. The borrowings were collateralised with initial margin of £1,480.6 million from the Scheme and net variation margin posted to Repo counterparties of £169.1 million. As of 31 March 2022, the collateral posted on Reverse Repo was £92.2 million.

16. Transaction costs

Directly incurred investment costs are reflected in investment expenses (note 19). Costs that are included within purchases, sales or change in value are shown below.

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Fees & Commissions	***(110)***	-
Stamp duty & other tax	***(31)***	*(306)*
Research costs	**-**	-
Professional fees	**-**	-
Indirect Transaction costs	***116***	*(3)*
Implicit Transaction costs	***(5,135)***	*(8,650)*
Indirect fees and charges	***(53)***	*(5)*
Investment Management Fees	***(380)***	*(241)*
	(5,593)	*(9,205)*

Following the transfer of investment management to LGIM there has been greater transparency of transaction costs particularly in relation to bid / offer spreads within purchases and sales. LGIM provides comprehensive industry standard cost reporting. Directly incurred cost by the former in-house investment manager e.g. research and commissions on sales of properties are included within investment management expenses.

17. Investment fair value hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1: The unadjusted quoted price in active market for an identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the purpose of this analysis, daily priced funds have been included in Level 1, weekly priced funds in Level 2 and monthly and quarterly net asset values for Private Equity funds and Limited Liability Partnerships in Level 3.

The Scheme's investment assets and liabilities have been categorised using the above fair value hierarchy as follows:

As at 31 March 2023	***Level 1 £'000***	***Level 2 £'000***	***Level 3 £'000***	***Total £'000***
Equities	-	-	***2,453***	***2,453***
Bonds	***738,630***	***1,430,128***	***51,477***	***2,220,235***
Pooled investment vehicles	-	***239,467***	***32,761***	***272,228***
Derivatives	-	***3,677***	-	***3,677***
Properties	-	-	***462,781***	***462,781***
Investment in subsidiaries	-	-	***1***	***1***
Cash	***45,026***	-	-	***45,026***
Other investment balances	***25,408***	-	-	***25,408***
LGAS Insurance buy-in	-	-	***4,290,400***	***4,290,400***
	809,064	***1,673,272***	***4,839,873***	***7,322,209***

As at 31 March 2022	*Level 1 £'000*	*Level 2 £'000*	*Level 3 £'000*	*Total £'000*
Equities	*447,019*	-	*1,558*	*448,577*
Bonds	*1,229,580*	*7,693,117*	*63,624*	*8,986,321*
Pooled investment vehicles	-	*104,944*	*44,753*	*149,697*
Derivatives	-	*(29,745)*	-	*(29,745)*
Properties	-	-	*1,239,544*	*1,239,544*
Investment in subsidiaries	-	-	*11*	*11*
Cash	*57,165*	-	-	*57,165*
Reverse Repo	*87,000*	-	-	*87,000*
Repo	*(1,606,061)*	-	-	*(1,606,061)*
Other investment balances	*99,369*	-	-	*99,369*
LGAS Insurance buy-in	-	-	*465,000*	*465,900*
	341,072	*7,768,316*	*1,815,390*	*9,897,778*

18. Investment risk

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 and detailed below. The purchase of buy-in policies that match pension liabilities during the year has significantly mitigated these risks.

Credit risk: The risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: This comprises currency risk, interest rate risk and other price risk.

Currency risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.

Interest rate risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.

Other price risk: This is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee manages investment risk, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreement in place with the Scheme's investment manager, Legal & General Investment Management, and monitored by the Trustee with regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below.

Credit risk

The Scheme is subject to credit risk as it invests in bonds, OTC derivatives, has cash balances, and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

Year to 31 March 2023	***Investment grade £'000***	***Non-investment grade £'000***	***Unrated £'000***	***Total £'000***
Bonds	***2,220,235***	***-***	***-***	***2,220,235***
Pooled investment vehicles	***239,467***	***-***	***32,761***	***272,228***
Swaps	***3,683***	***-***	***-***	***3,683***
Forward FX	***(7)***	***-***	***-***	***(7)***
Cash and cash equivalents	***45,026***	***-***	***-***	***45,026***
	2,508,404	***-***	***32,761***	***2,541,165***

Year to 31 March 2022	*Investment grade £'000*	*Non-investment grade £'000*	*Unrated £'000*	*Total £'000*
Bonds	*8,403,408*	*38,820*	*63,664*	*8,505,892*
Pooled investment vehicles	*-*	*104,944*	*44,753*	*149,697*
Swaps	*(29,704)*	*-*	*-*	*(29,704)*
Reverse Repo	*87,000*	*-*	*-*	*87,000*
Forward FX	*(41)*	*-*	*-*	*(41)*
Cash and cash equivalents	*57,165*	*-*	*-*	*57,165*
	8,517,828	*143,764*	*108,417*	*8,770,009*

Credit risk arising on bonds is mitigated by investing in government bonds where the credit risk is minimal, or corporate bonds. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Credit risk arising on other investments is mitigated by investment mandates requiring counterparties to have at least investment grade credit rating. This is the position at the period end.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see Note 14).

Cash is held within financial institutions which are at least investment grade credit rated. The Scheme engaged in a Reverse Repurchase agreement during the period with all trades closed prior to the year-end.

The Scheme's holdings in pooled investment vehicles at 31 March 2023 comprise money market funds (£239.5 million) which are AAA rated funds and private equity funds (£32.8 million) which are unrated. Direct credit risk from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Limited liability partnerships	***28,128***	*2,112*
Closed ended funds	***4,633***	*42,641*
Cash funds	***239,467***	*104,944*
	272,228	*149,697*

Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposures through a selective currency hedging policy.

The Scheme's total net unhedged exposure by major currency at the year end was as follows:

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
US Dollar	***5,635***	*-*
Euro	***2,917***	*5,067*
Japanese Yen	***-***	*278*
Canadian Dollar	***-***	*285*
Other	***-***	*1*
	8,552	*5,631*

Overseas corporate bonds are mostly sterling denominated. Bonds purchased in overseas currencies are hedged to sterling. The unhedged securities are pooled fund and cash.

Interest rate risk

The Scheme is subject to interest rate risk on the investments comprising bonds held directly or through pooled investment vehicles and cash. Interest rate risks are mitigated by the Trustee's hedging policy. At the year end the portfolio comprised of:

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Bonds	***2,220,235***	*8,986,321*
Swaps	***3,683***	*(29,704)*
Forward FX	***(7)***	*(41)*
	2,223,911	*8,956,576*

Other price risk

Other price risk arises principally in relation to the Scheme's growth portfolio which includes directly held equities, equities held in pooled vehicles, hedge funds, and private equity and investment properties. The Scheme manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. At the year end, the Scheme's exposure to investments subject to other price risk was:

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Direct		
Equities	***2,453***	*448,577*
Investment properties	***462,781***	*1,239,544*
	465,234	*1,688,121*
Indirect		
Private Equity PIVs	***32,761***	*44,753*
Cash PIVs	***239,467***	*104,944*
	272,228	*149,697*

Cash PIVs are highly diversified AAA rated short-dated money market funds.

Other risks

The Scheme's longevity risk was previously managed by means of a prudent financial buffer. The purchase of annuity policies prior to and after the year end has fully mitigated longevity risk. Similarly, the acquisition of annuities after the year end to cover all scheme liabilities has removed the risk of a call on the employer for additional contributions. Prior to the purchase of annuities, the Trustee received regular financial updates from the Company and carried out periodic independent covenant assessments.

19. Investment management and administration expenses

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Staff costs	***(5,278)***	*(4,243)*
Establishment costs	***(2,457)***	*(605)*
Utilities	***(94)***	*(101)*
IT costs	***(692)***	*(1,292)*
IT data costs	***(456)***	*(516)*
Legal and professional fees	***(132)***	*(549)*
Fees paid to custodian	***(164)***	*(283)*
Fees paid to adviser	***(81)***	*(18)*
Audit fees	***-***	*(50)*
Other expenses	***(155)***	*(21)*
Non-recoverable VAT	***(649)***	*(346)*
Property investment expenses	***(307)***	*-*
LGIM – fees	***(1,480)***	*(432)*
LGIM - expenses	***(1,028)***	*(25)*
	(12,973)	*(8,481)*

Costs comprise those of the former in-house investment manager, Pension Services Limited, together with fees and expenses incurred by Legal & General Investment Management who became the sole fund manager during the year.

20. Outstanding capital commitments

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Properties		
Commitments in Maturity properties	***-***	*150*
Commitments in Growth properties	***3,230***	*47*
	3,230	*197*
Other		
Commitments in infrastructure and alternative investments	***2,508***	*6,538*
	2,508	*6,538*
	5,738	*6,735*

21. Current Assets

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
UK Cash	***466***	*1,639*
Pre-paid pensions	***30,988***	*31,090*
Other	***1,113***	*15,153*
	32,567	*47,882*

22. Current liabilities

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Other	***(53,373)***	*(19,609)*
	(53,373)	*(19,609)*

23. Provision for liabilities

	Year to 31 March 2023 £'000	*Year to 31 March 2022 £'000*
Restoration payments	***-***	*(58,000)*
	-	*(58,000)*

The provision was fully utilised during the year with no balance carried forward.

24. Related party transactions

At 31 March 2023, the two independent directors were not members of the pension scheme. Of the remaining four directors of the Trustee, three were members of the Scheme and one had transferred their benefit to an external pension provider. The three directors who are Scheme members receive benefits on the same basis as other members of the Scheme. Three Trustee directors received remuneration of £125,500 (2022: four directors - £117,000).

The Scheme bears all costs of administration.

25. Employer related investments

The Scheme holds a stake in Tata Steel UK Limited which was granted as a condition of the Regulated Apportionment Arrangement entered into by the Company and the Trustee of the OBSPS in 2018. This stake was apportioned in relation to the asset split in March 2018 and was subsequently reduced to less than 1%. The Trustee values this stake to be £Nil (2022: £Nil).

26. Post Year-end events

On 17 May 2023 the Trustee concluded a fourth buy-in policy with Legal & General, under which all remaining uninsured liabilities (approximately 40% of liabilities) were insured. The premium paid for the additional policy was £2.833 billion. The remaining illiquid assets will be realised for as much money as possible to cover the future running costs of the Scheme. The Trustee expects that any excess assets should be used to provide additional benefits to members.

BRITISH STEEL PENSION SCHEME

Summary of Contributions

Trustee's Summary of Contributions payable under the Schedules in respect of the Scheme year ended 31 March 2023

This Summary of Contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and Member contributions payable to the Scheme in respect of the Scheme year ended 31 March 2023. The Scheme Auditor reports separately on contributions in the Auditors' Statement about Contributions on page 22.

Contributions payable in respect of the Scheme Year	***£'000***
Employer	-
Members	-
Contributions payable (as reported on by the Scheme Auditor)	-

Reconciliation of Contributions Payable to Total Contributions reported in the Financial Statements

	£'000
Contributions payable (as above)	-
Member Additional Voluntary Contributions	-
Total contributions reported in the Financial Statements	-

BRITISH STEEL PENSION SCHEME

Climate Change Report

The Scheme is required to produce formal Climate Change disclosures annually in line with the recommendations of the Task Force on Climate-related Financial Disclosures (***TCFD***). The Scheme is subject to these requirements with effect from 1 October 2021, and the Scheme's first and second Climate Change Reports, covering the period to the Scheme year end date of 31 March 2023, are available on the Scheme website.

The Climate Change Report does not form part of the Scheme's Annual Report as at 31 March 2023. It can be found at: https://www.bspspensions.com/library/17/climate-change-report/.

BRITISH STEEL PENSION SCHEME

Actuary's Certification of Schedule of Contributions

1. Adequacy of rates of contributions

I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the Statutory Funding Objective could have expected on 31 March 2021 to continue to be met for the period for which the Schedule is to be in force.

2. Adherence to statement of funding principles

I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 21 January 2022.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

21 January 2022

G M Oxtoby
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