THE
BRITISH STEEL
PENSION SCHEME

Registered number – 12014387

REPORT AND FINANCIAL STATEMENTS

For the Year to 31 March 2024

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 Willis Towers Watson
Auditor	Deloitte LLP
Solicitors	Travers Smith LLP
Investment Managers	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	Willis Towers Watson JLL Strutt & Parker
Risk Advisers	Lane Clark & Peacock LLP
Independent Property Investment Adviser	S Francis (*to 29 February 2024)*
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 2024.

The Year under review has been an especially significant one for the Scheme as the Trustee announced on 17 May 2023 that it had entered into a fourth buy-in policy with Legal & General meaning that all of the Scheme’s liabilities were fully insured. When the Scheme was set up in 2018, our expert advisers estimated that it could be around 2032 before the Scheme was sufficiently well funded to insure benefits in full, so the Trustee was delighted to be able to achieve this many years ahead of schedule. Fully insuring liabilities is of course a very good outcome for members, as it provides the greatest certainty that benefits will be paid in full as and when they fall due and that is why many other UK pension schemes are also working towards this objective.

When the Scheme was set up in 2018 the Trustee agreed with the Scheme’s sponsor, Tata Steel UK Limited, that if the Scheme achieved a funding level of 103% of the cost of insuring members’ benefits the 3% surplus could be used to provide additional moneys to members. That condition was achieved by completing the buy-in process and during the Year the Scheme made restoration awards worth around £200 million to 50,222 former employee pensioners and dependants and a further 11,914 deferred pensioners. This is in addition to the c£58 million awarded to pensioners with pre-1997 service following the 2021 actuarial valuation.

Although not originally specified in the Rules, the Trustee has always taken the view that any surplus funds in the Scheme should be used for the benefit of Scheme members. At the present time the Scheme holds cash and other liquid investments to meet its on-going running costs. It also has certain illiquid assets which it is hoped will generate further funds in due course. The Trustee’s ability to make further payments to members is conditional upon it having certainty over the future running costs of the Scheme. Looking at how this might be achieved has been a priority over the last twelve months or so. The main way that a pension scheme such as the BSPS locks down costs is by buying out benefits with an insurance company. In order to ensure that the maximum number of members benefit from any further payments, the Trustee is targeting completing the buyout process at the earliest opportunity. The Trustee believes it may be possible to achieve this by early 2026 with a view to making additional awards to members at that time.

The Scheme is large and complex meaning that there are a lot of actions required before it can be bought out. The Trustee is making good progress on these actions and, reflecting the progress which has already been made, this year’s Financial Statement have not been prepared on a “going concern” basis but instead reflect the likelihood that the Scheme will buy-out and wind up over the next few years. Going concern means that an entity is expected to continue operations into the foreseeable future and assets are typically valued taking into consideration expected future income. Because the Scheme is expected to wind up, the assets are required to be included in the accounts at realisable value. As realisable value is the standard valuation for a pension fund there is no impact in these accounts as a result of ceasing to apply the going concern basis.

As a first step towards locking down the costs of the Scheme, the Trustee has agreed that the administration function provided until now by the Pensions Office in Glasgow will transfer to Legal and General with effect from 1 October 2024. This allows the Scheme to have access to the existing knowledge and expertise of our colleagues in the Glasgow office whilst at the same time benefiting from the resources and expertise of Legal & General. The Scheme will continue to be run and managed by the Trustee.

Following completion of the buy-in process, a key focus for the Trustee has been to embed new processes to reflect these insurance contracts in the governance and risk management of the Scheme and to build on the Scheme’s long-term relationship with Legal & General. Details of this work are included throughout this Annual Report.

Finally, I would like to thank all of my fellow Directors and the Scheme Officers and Advisers, as well as all of the staff at the Pensions Office on Glasgow, 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 2024

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 their annual report on the Scheme, together with the Financial Statements for the year ended 31 March 2024.

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 and comprises two Company Nominated Trustee Directors (***CNTDs***), two Member Nominated Directors (***MNDs***) and two Independent Trustee Directors (***ITDs***). Tata Steel UK Limited (***the Company***) is responsible for the appointment and removal of the CNTDs. The Trustee 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 two 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 operates 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).

During the year the Trustee board determined to suspend the operations of the Audit and Risk Committee and for the responsibilities of that sub-committee to revert to the Trustee board.

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 Trustee board's agreed policy.

Recent developments

During the year, the Trustee achieved its stated primary long-term goal of being in a position to secure 103% of member benefits with one or more insurers. Having completed a series of buy-in transactions with Legal and General (***L&G***) in the period between November of 2021 and November 2022, the Trustee was able to agree a fourth and final transaction in May 2023, again with L&G, under which the remaining 40% of Scheme liabilities were fully insured. As part of that transaction, the Trustee also purchased additional cover relating to potential uninsured liabilities which might arise the future. All 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. A sub-committee of the Trustee, the Restoration Working Group (***the RWG***), gave detailed consideration to the most appropriate means to distribute the awards to members and, having considered and accepted the recommendation of the RWG, the Trustee proceeded to distribute additional pension benefits to 50,222 pensioners and dependant pensioners, plus increases to the benefits of 11,914 deferred pensioners in February 2024.

In 2022 the Trustee reached agreement with Legal & General Investment Management (***LGIM***) that it should be appointed to manage the combined assets of the Scheme and thereafter the Trustee successfully completed an exercise to transition all residual assets to LGIM. The Scheme's former investment offices at Old Broad Street were decommissioned at the start of 2023 and staff whose roles were transferring to LGIM were eligible to have their employment transferred under TUPE regulations. The Trustee also considered during the year options for the future governance and administration of the Scheme, again in partnership with L&G, as it progresses towards full buyout in due course.

The Trustee successfully hosted its second on-line member event in July 2023. 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. Whilst fewer members joined the 2023 live event than had participated in 2022, the recording uploaded to the Scheme website was subsequently viewed by almost 1,000 individuals and the Trustee obtained positive feedback on the event. The Trustee will look to arrange further online events in due course to keep members updated on Scheme developments.

The Trustee approved two amendments to the Scheme's definitive Trust Deed & Rules.

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. Following the completion of the buy-in transactions the Scheme's primary climate related risks have been transferred to L&G alongside Scheme assets. Details on the Trustee's agreed approach to reducing the Scheme's carbon exposure in respect of the period under review for which the Scheme held assets directly, can be found in the 2024 Climate Change Report, which does not form part of this Annual Report, at: www.bspspensions.com/Uploads/Documents/00/00/10/87/DocumentDocument_FILE/Climate-Change-Report-March-2024.pdf .

Report on actuarial liabilities

The Financial Statements set out on pages 22 to 36 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 at least 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_κ) 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 triennial valuation due as at 31 March 2024 is underway and the Trustee expects to publish the results of that valuation in early 2025.

Financial developments of the Scheme

The Financial Statements included in this report for the year to 31 March 2024 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 from the previous year due to payments to members exceeding investment returns. Prior to the final annuity purchase there was a 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 97% (from 59% a year ago). All corporate bonds were sold together with most of the commercial and agricultural properties. The remaining assets are invested in UK Government bonds, cash, property, unlisted equities and private equity. The investment plan is to realise all property, unlisted and private equity in the next 12 months with residual investments to be held in UK Government bonds and cash.

The contribution from investment income was £471 million net of tax, the majority of which came from the annuity portfolios. The purchase of assets across all portfolios was £3,279 million and sales across all portfolios was £3,247 million. The purchase of insurance contracts and transfer of assets as premium represents around 80% of the transaction activity.

Most of the remaining commercial property was transferred to L&G as premium for additional buy-in insurance policies, while nearly all the agricultural properties were sold to third parties.

Payments to leavers reduced significantly, whilst benefit payments reduced in line with the fall in the number of pensioners offset by an increase in retirement lump sums.

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

	Year to 31 March 2024 ***£'000***	*Year to 31 March 2023* *£'000*
Net payments from dealings with members	***(463,097)***	*(477,747)*
Net return on investments	***(206,215)***	*(2,088,901)*
Net decrease in Scheme	***(669,312)***	*(2,566,648)*
Net assets at start of year	***7,301,403***	*9,868,051*
Net assets at end of year	***6,632,091***	*7,301,403*

A more detailed analysis of these financial movements over the period can be found in the Notes to the Financial Statements on pages 24 to 36.

Investment management

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

- The Trustee concluded a fourth and final buy-in transaction with Legal & General bringing the total of insured liabilities to 103% (versus 59% at the start of the year).
- The residual assets are held to meet scheme expenses and, if possible, provide additional benefits to members.

In line with the Trustee's investment strategy, on 17 May 2023 the Trustee concluded a fourth buy-in transaction with Legal & General Assurance Society (***LGAS***), under which liabilities in respect of all pensioners were insured. In addition liabilities insured were increased to 103% as was a requirement of the terms under which the Scheme was set up. The buy-in policies are designed to perfectly match the liabilities covered, thus eliminating risk for the Scheme.

The non-insured assets now comprise assets being realised (property and listed / private equity) and high security, high liquidity assets (gilts and cash). The Trustee delegates the day-to-day management of these 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 Investment Management Agreement.

The Trustee's long-term investment objective is to provide a high level of security of pension benefits in a cost - effective manner. This has been achieved through the acquisition of buy-in policies with LGAS, which are expected to be converted to buyout in due course. The Investment Strategy for the remaining assets is to acquire low-risk and liquid assets that in aggregate will cover the Scheme's future expenses and any additional benefit awards.

No benchmark or target has been set for the residual assets managed by LGIM. The primary concern of the Trustee is the maximisation of realisation proceeds from the sale of property and unlisted / private equity and this is actively monitored.

Authority to use derivatives was ended when the SIP was updated in June 2023. A copy of the SIP can be found here.

The allocation of investments on 31 March 2024 is set out below. Investments are split into direct investments, and pooled investment vehicles:

2024	***Direct investments***	***Pooled investment vehicles***	***Total***	***Percentage***
	£'000	*£'000*	*£'000*	*%*
Annuity Insurance Policies	*6,407,100*	*-*	*6,407,100*	*97*
UK Government Bonds and interest	*82,308*	*-*	*82,308*	*1*
Commercial and Agricultural Property	*64,619*	*-*	*64,619*	*1*
Listed Equity	*2,252*	*-*	*2,252*	*-*
Private Equity	*-*	*6,889*	*6,889*	*-*
Cash & Money Market Funds	*2,312*	*34,612*	*36,924*	*1*
Other investment balances	*(3,340)*	*-*	*(3,340)*	*-*
	6,555,251	***41,501***	***6,596,752***	***100***

Other than the annuity insurance policies all investments described above are managed by LGIM. UK government bonds and listed equities are quoted on recognised exchanges. The property portfolios are 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 Trustee regards all the investments of the Scheme as readily marketable other than the annuity insurance policies and private equity.

The Scheme's investment portfolio achieved the following returns over the one-year, three-year and five-year periods to 31 March 2024:

	One year to 31 March 2024	*Three years to 31 March 2024*	*Five years to 31 March 2024*
Fund	*-2.8%*	*-8.3%*	*-3.9%*

The fund return is now dominated by the income and value of the annuity policies. As these policies match the benefit outflows the change in value / return on annuities is not relevant to the management of the scheme in that it does not signify either additional or less monies available to the members. The three-year return of -8.3% is due to the 2023 return of -23.2% when gilt values fell significantly as investors priced in much higher future interest rate expectations.

Membership

The membership of the Scheme at the beginning and end of the year to 31 March 2024 (and changes during the year) is set out below.

	Deferred Pensioners	*Pensioners*	*Total*
At 1 April 2023	*12,569*	*54,081*	***66,650***
Retirements	*(702)*	*1,626*	***924***
Commutations	-	*(125)*	***(125)***
Cessation	-	*(73)*	***(73)***
Transfers to other pension arrangements	*(7)*	-	***(7)***
Deaths	*(37)*	*(2,974)*	***(3,011)***
Adjustments	-	*(6)*	***(6)***
At 31 March 2024	*11,823*	*52,529*	***64,352***

Pensioners Analysis	
Pensioners	***38,415***
Widow(er)s, civil partners, and dependants	***14,114***
	52,529

All pensioner and beneficiary benefits are provided in full by buy-in policies.

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 2024 were as follows:

Pension accrued pre 05/04/1997	*0.0%*
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 is no provision under Scheme rules for the making of an annual discretionary increase.

Transfers

All of the transfer values paid during the year 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 twelve to eighteen months. The Trustee does not believe the Scheme's liability in relation to GMP equalisation, which the Scheme Actuary has estimated as 0.4% of actuarial liabilities, 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 adopted a revised and updated Risk Register and 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. The Trustee additionally reviewed and approved updates to its Conflicts of Interest Protocol, the Scheme's Business Continuity plan and the Scheme's Cyber Security Policy.

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 Trustee has agreed a training plan to enable it 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, restoration payments, and GMP reconciliation and equalisation developments.

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. Legal & General is 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 financial statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102), are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

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 that year of its 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 Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the financial statements have been prepared in accordance with the relevant reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis, and for the preparing of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report. The Trustee also has 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, including the maintenance of an appropriate system of internal control.

The Trustee is also responsible for the maintenance and integrity of the corporate and financial information included on the Scheme's 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 preparing, maintaining and from time to time reviewing and, if necessary, revising 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 adopting risk based processes to monitor whether contributions are made to the Scheme by the Company in accordance with the Schedule of Contributions. Where breaches of the Schedule of Contributions occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to the Pensions Regulator and the members.

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 20 September 2024.

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 2023 to 31 March 2024 inclusive (referred to herein as ***the Scheme year***). The policies referenced above are set out in paragraphs 20 and 21 of the Scheme's SIP dated 15 June 2023 and are quoted below for ease of reference.

"20. 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 the Investment Manager and to encourage them 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."

"21. 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's expectation is that the Investment Manager will engage on climate risk on the Trustee's behalf. In addition, the Investment Manager 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."

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 once during the year (June 2023) following the final buy-in transaction to reflect that all benefits are now insured and residual assets are held for either realisation (property and private equity) or in assets that offer both high security and liquidity (gilts and cash).

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

The Trustee delegates the responsibility for voting and engagement with relevant parties in relation to the Scheme's underlying investment to the Investment Manager (***LGIM***). The vast majority of the equity holdings were sold in 2022 with only four being held during the year to 31 March 2024. LGIM voted on three occasions, registering votes both in favour and against resolutions as deemed appropriate. Engagement was also undertaken on the Trustee's behalf in accordance with the SIP by the Investment Manager in respect of corporate bonds until these were realised in May 2023.

Summary and conclusions

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

K Greenfield
Chairman

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 2024 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; and
- the related Notes 1 to 25.

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.

Emphasis of matter – Financial statements prepared other than a going concern basis

We draw attention to Note 2 to the financial statements which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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 Trustee is 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 the 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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’s about their 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 frameworks 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 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 Scheme's regulatory requirements.

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

As a result of performing the above, we identified the greatest potential for fraud in the misappropriation of investment assets due to the significant size of investment transactions and balances. In response we have: obtained an understanding of the relevant controls over investment holdings and transactions; agreed investment holdings to independent confirmations; and agreed investment and cash reconciliations to independent sales and purchase reports and bank 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 and subcommittees meetings.

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 them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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
20 September 2024

BRITISH STEEL PENSION SCHEME

Independent Auditor's Statement about Contributions to the trustee of the British Steel Pension Scheme

We have examined the Summary of Contributions to the British Steel Pension Scheme for the scheme year ended 31 March 2024 to which this statement is attached.

In our opinion contributions for the Scheme year ended 31 March 2024, as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid 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 13, 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 Regulation 4 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 work has been undertaken so that we might state to the Trustee those matters we are required to state to them 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 opinion we have formed.

Deloitte LLP

Statutory Auditor

Reading, United Kingdom

20 September 2024

BRITISH STEEL PENSION SCHEME

Fund Account for the Year ended 31 March 2024

	Notes	***Total Year to 31 March 2024 £'000***	*Total Year to 31 March 2023 £'000*
Contributions and Benefits			
Contributions		**-**	-
Benefits payable	4	***(452,246)***	*(448,627)*
Payments to and on account of leavers	5	***(637)***	*(17,866)*
Administrative expenses	6	***(6,791)***	*(4,912)*
Strategy and Risk Management expenses	7	***(1,845)***	*(5,244)*
Governance expenses	8	***(1,152)***	*(633)*
Levies	9	***(426)***	*(465)*
Net withdrawals from dealings with members		***(463,097)***	*(477,747)*
Returns on Investments			
Investment income less taxation	10	***471,453***	*356,344*
Change in market value of investments	15	***(685,534)***	*(2,412,524)*
Interest payable	12	***(24)***	*(14,155)*
Transaction costs	16	***12,640***	*(5,593)*
Investment management and administration expenses	20	***(4,750)***	*(12,973)*
Net returns on investments		***(206,215)***	*(2,088,901)*
Net decrease in the fund during the year		***(669,312)***	*(2,566,648)*
Net Assets of the Scheme			
At beginning of year		***7,301,403***	*9,868,051*
At end of year		***6,632,091***	*7,301,403*

The notes on pages 24 to 36 form part of these financial statements.

BRITISH STEEL PENSION SCHEME

Statement of Net Assets (available for benefits) as at 31 March 2024

	Notes	***Total Year to 31 March 2024 £'000***	*Total Year to 31 March 2023 £'000*
Investment assets	*15*		
Equities		***2,252***	*2,453*
Bonds		***82,308***	*2,220,235*
Properties		***64,619***	*462,781*
Pooled investment vehicles	*13*	***41,501***	*272,228*
LGAS buy-in		***6,407,100***	*4,290,400*
Derivatives	*14*	***-***	*8,712*
Other investments		***-***	*1*
Cash and cash equivalents		***2,312***	*45,026*
Other investment balances		***3,299***	*34,270*
		6,603,391	*7,336,106*
Investment liabilities			
Derivatives	*14*	***-***	*(5,035)*
Other investment balances		***(6,639)***	*(8,862)*
		(6,639)	*(13,897)*
Total net investments		***6,596,752***	*7,322,209*
Current assets	*22*	***36,843***	*32,567*
Current liabilities	*23*	***(1,504)***	*(53,373)*
		35,339	*(20,806)*
Net Assets of the Scheme		***6,632,091***	***7,301,403***

The notes on pages 24 to 36 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 20 September 2024.

K Greenfield
Chairman

C Claydon
Director

BRITISH STEEL PENSION SCHEME

Notes to the Financial Statements

1. General information

The British Steel Pension Scheme (***the Scheme***) is an occupational pension scheme established as a trust under English law. 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 the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, 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).

On 17 May 2023 the Scheme executed a fourth and final buy-in with LGAS providing assurance to members that all benefits have been insured and will be met as they fall due. The Trustee has also agreed to transfer the administration function to Legal and General with effect from 1 October 2024. The Scheme is progressing with its data cleansing program and the Trustee currently anticipates that this work will be finalised by 2025 after which it expects to buy out the Scheme's liabilities with LGAS and the wind-up of the scheme will be triggered. As such, the Scheme is no longer a going concern and the financial statements have been prepared on a basis other than that of a going concern. No adjustment arose as a result of ceasing to apply the going concern basis.

3. Accounting policies

The Financial Statements are accounted for on the accruals basis, except as stated below:

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 has been valued using the latest company or limited partnership financial statements available at 31 March 2024, 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 and expected realisation proceeds.

vi. Properties are valued at Fair value as defined by the RICS Red Book. The net income related to the properties has been separately disclosed. Valuations are provided by JLL and have 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.

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

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

ix. 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.

x. Insurance policies purchased from Legal & General Assurance society to cover the cost of additional liabilities arising from data cleanse projects and the emergence of uninsured liabilities is carried at nil value at 31 March 2024. The carrying value will be reviewed should any of the insured obligations crystalise.

xi. Derivatives are stated at fair value as at the reporting date.

- 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.
- 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 Trustee to fund benefits payable to Scheme members are included within investment income on a received basis. The valuation of annuity policies takes into account the date payments are made to the Scheme.

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 2024. 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 2024 £'000	*Year to 31 March 2023 £'000*
Pensions	***(429,849)***	*(432,119)*
Commutations	***(831)***	*(1,131)*
Lump sum retirement benefits	***(20,917)***	*(14,449)*
Lump sum death benefits	***(607)***	*(882)*
Taxation	***(42)***	*(46)*
	(452,246)	*(448,627)*

The Trustee is currently undertaking various data cleanse projects. Any additional liabilities which may arise as a result of those projects are covered by the insurance policy effected by the Trustee with L&G and will not result in any increased liabilities in the accounts.

5. Payments to and on account of leavers

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Transfers to other pension schemes	**-**	*(14,400)*
Transfers to personal pensions	***(637)***	*(3,466)*
	(637)	*(17,866)*

Prior year 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 2024 £'000	*Year to 31 March 2023 £'000*
Staff costs	***(1,485)***	*(1,058)*
Establishment costs	***(223)***	*(184)*
Professional fees	***(4,320)***	*(2,716)*
Computer system costs	***(627)***	*(684)*
Communication costs	***(109)***	*(284)*
Other costs	***(27)***	*14*
	(6,791)	*(4,912)*

7. Strategy and risk management expenses

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Professional fees	***(1,845)***	*(5,244)*
	(1,845)	*(5,244)*

8. Governance expenses

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Professional fees	***(761)***	*(118)*
Audit fees	***(78)***	*(212)*
Directors' fees	***(133)***	*(126)*
Trade subscriptions	***(23)***	*(16)*
Insurances	***(157)***	*(161)*
	(1,152)	*(633)*

9. Levies

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Pension Protection Fund	***(169)***	*(192)*
The Pensions Regulator	***(255)***	*(271)*
Financial Reporting Council	***(2)***	*(2)*
	(426)	*(465)*

10. Investment income

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Net dividends from equities	***44***	*1,679*
Net income from bonds	***14,327***	*124,026*
Net rental income	***7,271***	*41,109*
Private Equity Income	***2,474***	*982*
Income from annuities	***442,265***	*186,545*
Income from cash	***4,465***	*3,248*
Gains / (Losses) on foreign currencies	***139***	*(5,294)*
Derivative profits and losses	***-***	*4,017*
Miscellaneous Income	***468***	*40*
Income before taxation	***471,453***	*356,352*
Taxation	***-***	*(8)*
Net income	***471,453***	*356,344*

11. Taxes on investment income

The British Steel Pension Scheme is a registered pension scheme for tax purposes under Chapter 2 of Part 4 of 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 2024 £'000	*Year to 31 March 2023 £'000*
Cash deposits – foreign currency	***(24)***	*(19)*
Interest payable on repurchase agreements	***-***	*(14,136)*
	(24)	*(14,155)*

Interest payable is due to interest charges for holding foreign currencies and interest payable on repurchase agreements accruing daily on borrowings. All repurchase agreements were terminated prior to 31 March 2023.

13. Pooled Investment Vehicles (PIVs)

The Scheme's holdings of PIVs are analysed below:

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
UK private equity funds	***6,795***	*25,800*
Global private equity funds	***94***	*6,961*
Cash funds	***34,612***	*239,467*
	41,501	*272,228*

14. Derivatives

Objectives and policies

The Revised Statement of Investment Principles (***SIP***) dated 15 June 2023 removed the permitted use of derivatives. As part of the May 2023 final buy-in transaction all derivative contracts were closed. Previous SIP's had 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 was subject to prior approval by the Trustee Board.

<u>Swaps</u>

Swaps were used prior to May 2023 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. These contracts were centrally cleared with LCH as the central counterparty clearing house and HSBC acting as the Designated Clearing Member for the scheme.

	Year to 31 March 2024		*Year to 31 March 2023*	
	Assets £'000	***Liabilities £'000***	*Assets £'000*	*Liabilities £'000*
Swaps – inflation	-	-	*8,712*	-
Swaps – interest	-	-	-	*(5,029)*
	-	-	*8,712*	*(5,029)*

31 March 2023

Type of swap	***Number of contracts***	***Expiration***	***Nature of swap***	***Notional amount of outstanding contracts*** *£'000*	***Aggregate assets £'000***	***Aggregate liabilities £'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)***

Forward foreign exchange

All assets at 31 March 2024 are sterling denominated with the exception of minor cash and private equity balances. 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. Prior to May 2023, the Trustee, through LGIM, put in place a currency hedging arrangement using forward foreign exchange contracts. The objective of the arrangement was to remove the currency risk in the portfolio. The value of contracts outstanding at 31 March 2023 is shown below. There are no contracts open at 31 March 2024.

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)*

15. Investments reconciliation

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

	Value at 1 April 2023	***Purchase Costs and derivative payments***	***Sale Proceeds and derivative receipts***	***Change in Market Value***	***Value at 31 March 2024***
	£'000	***£'000***	***£'000***	***£'000***	***£'000***
Equities	***2,453***	*-*	*(323)*	*122*	***2,252***
Bonds	***2,220,235***	*79,648*	*(2,115,344)*	*(102,231)*	***82,308***
Properties	***462,781***	*3,603*	*(386,872)*	*(14,893)*	***64,619***
Pooled Investment Vehicles	***272,228***	*501,754*	*(710,994)*	*(21,487)*	***41,501***
Derivatives	***3,677***	*-*	*(33,844)*	*30,167*	***-***
Other investments	***1***	*-*	*(1)*	*-*	***-***
LGAS Insurance buy-in	***4,290,400***	*2,693,912*	*-*	*(577,212)*	***6,407,100***
	7,251,775	*3,278,917*	*(3,247,378)*	*(685,534)*	***6,597,780***
Cash deposits	***45,026***	*-*	*-*	*-*	***2,312***
Other investment assets	***34,270***	*-*	*-*	*-*	***3,299***
Other investment liabilities	***(8,862)***	*-*	*-*	*-*	***(6,639)***
Net current assets less liabilities	***(20,806)***	*-*	*-*	*-*	***35,339***
Total net assets	***7,301,403***	***3,278,917***	***(3,247,378)***	***(685,534)***	***6,632,091***

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.

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 2024 £'000	*Year to 31 March 2023 £'000*
Fees & Commissions	***(421)***	*(110)*
Stamp duty & other tax	***(23)***	*(31)*
Indirect Transaction costs	***16,351***	*116*
Implicit Transaction costs	***(266)***	*(5,135)*
Indirect fees and charges	***(3,001)***	*(433)*
	12,640	*(5,593)*

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 and weekly priced funds have been included 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 2024	***Level 1 £'000***	***Level 2 £'000***	***Level 3 £'000***	***Total £'000***
Equities	***-***	***-***	***2,252***	***2,252***
Bonds	***82,308***	***-***	***-***	***82,308***
Pooled investment vehicles	***-***	***34,612***	***6,889***	***41,501***
Properties	***-***	***-***	***64,619***	***64,619***
Cash	***2,312***	***-***	***-***	***2,312***
Other investment balances	***(3,340)***	***-***	***-***	***(3,340)***
LGAS Insurance buy-in	***-***	***-***	***6,407,100***	***6,407,100***
	81,280	***34,612***	***6,480,860***	***6,596,752***

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*

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. The quantum of risks discussed below is not significant in relation to the size of the Scheme.

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 exposure to investment risk has been mitigated by the purchase of annuity policies. The Trustee manages retained investment risk, including credit risk and market risk, by specifying the classes of investments to be held. These investment restrictions 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 and has cash balances. 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 2024	***Investment grade £'000***	***Unrated £'000***	***Total £'000***
Bonds	***82,308***	***-***	***82,308***
Pooled investment vehicles	***34,612***	***6,889***	***41,501***
Cash and cash equivalents	***2,312***	***-***	***2,312***
	119,232	***6,889***	***126,121***

Year to 31 March 2023	*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*

Credit risk arising on bonds is mitigated by investing wholly in government bonds where the credit risk is minimal.

Cash is held within financial institutions which are at least investment grade credit rated.

The Scheme's holdings in pooled investment vehicles at 31 March 2024 comprise money market funds (£34.6 million) which are AAA rated funds and private equity funds (£6.9 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 and the regulatory environments in which the pooled managers operate. 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.

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. Previously, the Trustee managed 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 2024 £'000	*Year to 31 March 2023 £'000*
US Dollar	***1,446***	*5,635*
Euro	***1,393***	*2,917*
Canadian Dollar	***10***	*-*
	2,849	*8,552*

The non-sterling exposures arise from pooled funds 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 holding mostly short-dated instruments. At the year end the portfolio comprised of:

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Bonds	***82,308***	*2,220,235*
Swaps	***-***	*3,683*
Forward FX	***-***	*(7)*
	82,308	*2,223,911*

Other price risk

Other price risk arises principally in relation to the Scheme's residual property and private equity together with cash PIVs. At the year end, the Scheme's exposure to investments subject to other price risk was:

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Direct		
Equities	***2,252***	*2,453*
Investment properties	***64,619***	*462,781*
	66,871	*465,234*
Indirect		
Private Equity PIVs	***6,889***	*32,761*
Cash PIVs	***34,612***	*239,467*
	41,501	*272,228*

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 has fully mitigated longevity risk and substantially reduced 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. Concentration of Investments

Investments accounting for more than 5% of the net assets of the Scheme were:

	Year to 31 March 2024		*Year to 31 March 2023*	
	£'000	***%***	*£'000*	*%*
LGAS insurance buy-in policies	***6,407,100***	***96.6***	*4,290,400*	*58.8*

The Trustee has completed a series of buy-in transactions with Legal and General under which all the Scheme liabilities were fully insured at 31 March 2024 (60% insured at 31 March 2023).

20. Investment management and administration expenses

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Staff costs	***(2,546)***	*(5,278)*
Establishment costs	***(1,250)***	*(2,551)*
IT costs	***123***	*(1,148)*
Legal and professional fees	***(14)***	*(132)*
Fees paid to custodian	***(101)***	*(164)*
Fees paid to adviser	***(107)***	*(81)*
Other expenses	***-***	*(155)*
Non-recoverable VAT	***23***	*(649)*
Property investment expenses	***(377)***	*(307)*
LGIM – fees	***(447)***	*(1,480)*
LGIM - expenses	***(54)***	*(1,028)*
	(4,750)	*(12,973)*

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 from December 2022. The reduction in costs for this Year reflects the reduced value of non-annuity assets under management.

21. Outstanding capital commitments

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Properties		
Commitments in Growth properties	***1,146***	*3,230*
	1,146	*3,230*
Other		
Commitments in infrastructure and alternative investments	***756***	*2,508*
	756	*2,508*
	1,902	*5,738*

22. Current Assets

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
UK Cash	***5,529***	*466*
Pre-paid pensions	***30,677***	*30,988*
Other	***637***	*1,113*
	36,843	*32,567*

23. Current liabilities

	Year to 31 March 2024 £'000	*Year to 31 March 2023 £'000*
Other	***(1,504)***	*(53,373)*
	(1,504)	*(53,373)*

24. Related party transactions

At 31 March 2024, 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 £133,000 (2023: three directors - £125,000).

The Scheme bears all costs of administration.

25. Employer related investments

The Scheme previously held 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 valued this stake to be £Nil (2023: £Nil).

During the year the Trustee entered into an agreement with the Company to surrender its shareholding in TSUK. The Trustee retains an economic interest in the notional value of those shares.

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 2024

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 2024. The Scheme Auditor reports separately on contributions in the Auditors' Statement about Contributions on page 21.

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	-

20 September 2024
K Greenfield
Chairman

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, second and third Climate Change Reports, covering the period to the Scheme year end date of 31 March 2024, are available on the Scheme website. The report covering the year to 31 March 2024 is expected to be the Scheme's final such report.

The Climate Change Report does not form part of the Scheme's Annual Report as at 31 March 2024. It can be found at: https://www.bspspensions.com/Uploads/Documents/00/00/10/87/DocumentDocument_FILE/Climate-Change-Report-March-2024.pdf.

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
Fellow of the Institute and Faculty of Actuaries
Towers Watson Limited, a Willis Towers Watson Company

Watson House
London Road
Reigate
Surrey
RH2 9PQ