Public Document Pack

Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 29 September 2016 at 11.00 am in Committee Room 1 - City Hall, Bradford

Members of the Committee – Councillors

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
M Pollard	Johnson Thornton Swallow	J Sunderland

Alternates:

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT
Ellis	Farley Watson	Fear

Notes:
- This agenda can be made available in Braille, large print or tape format on request by contacting the Agenda contact shown below.
- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From: **To:**

Parveen Akhtar
City Solicitor
Agenda Contact: Fatima Butt - 01274 432227
Phone: 01274 432227
E-Mail: fatima.butt@bradford.gov.uk

A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The City Solicitor will report the names of alternate Members who are attending the meeting in place of appointed Members.

2. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

(1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.

(2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.

(3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.

(4) Officers must disclose interests in accordance with Council Standing Order 44.

3. MINUTES

Recommended –

That the minutes of the meeting held on 28 June be signed as a correct record (previously circulated).

(Fatima Butt – 01274 432227)

4. INSPECTION OF REPORTS AND BACKGROUND PAPERS

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Fatima Butt - 01274 432227)

B. BUSINESS ITEMS

5. TRIDENT COMMUNITY COUNCIL BOUNDARY CHANGE - PETITION REQUIREMENT

Before establishing a new Local Council or making any boundary changes to existing Local Councils Bradford Council must undertake a community governance review (CGR). This provides an opportunity for Bradford Council to review and make any appropriate changes to local governance within an area. The aim of the review is to ensure that local governance continues to be effective and convenient and that it reflects the people and interests of local communities.

The City Solicitor will submit **Document "G"** which seeks to establish whether Trident Community Council should be requested to present a valid petition to trigger Bradford Council undertaking a community governance review in respect of the requested boundary change.

The Committee's instructions are requested.

(Kathryn Jones – 01274 433664)

6. CORPORATE FRAUD UNIT - ANNUAL PERFORMANCE INFORMATION

The Finance Director will submit **Document "H"** which presents the annual fraud performance information, as required by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

The Corporate Fraud Unit has reported to Committee, on counter fraud performance, since June 2012. The information in the report represents the performance of the Council's Corporate Fraud Unit during the period 1st April 2015 to 31st March 2016 and is shown in full at Appendix A to Document "H".

Recommended-

That the Committee notes the key performance information at Appendix A to Document "H".

(Tracey Banfield/Harry Singh – 01274 434794/7256)

7. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - PROPOSALS FOR UNDERTAKING AN EXTERNAL REVIEW OF INTERNAL AUDIT

The Director of Finance will submit **Document "I"** which outline the benefits of, and seeks the Committee's agreement to, the proposed arrangements for carrying out the external review of the Council's Internal Audit function, as required by the Public Sector Internal Audit Standards (PSIAS).

Recommended-

That the proposed arrangements for a peer review undertaken by Doncaster Council's Internal Audit Service are accepted by the Committee as appropriate to meet the requirements of the PSIAS and to provide the necessary external assurances on the effectiveness of Bradford Council's Internal Audit Service.

(Mark St Romaine – 01274 432888)

8. INTERNAL AUDIT ANNUAL REPORT 2015/16

The Director of Finance will submit **Document "J"** which informs the Committee about the service Internal Audit has provided to the Council during the financial year 2015/16.

In particular Members are advised of the following:-

- Internal Audit completed 92% of the 2015/16 audit plan which, is above the target of 90%.

- Internal Audit's Client satisfaction identified that 100% of the respondents said that the "recommendations were useful and realistic" and believed that the audit was "of benefit to management."

- 100% of all high priority recommendations made from the work undertaken were accepted by management.

Recommended-

That the Committee recognises and supports the work carried out by Internal Audit during 2015/16.

(Mark St Romaine – 01274 432888)

9. REVIEW OF ARRANGEMENTS FOR SECURING VALUE FOR MONEY - CBMDC

External Audit will submit **Document "K"** which reports that External Audit have a statutory duty to confirm that the Council has made proper arrangements for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion). The value for money risk assessment was reported to the Committee in April 2016 and this report updates the assessment and summarises the findings which support the value for money conclusion.

The report accompanies the Audit Completion Report which is also on the Committee's agenda.

Recommended-

That the Committee considers the review of arrangements for securing value for money report.

(Ross Woodley - (0191) 3836303)

10. WEST YORKSHIRE PENSION FUND REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

The Director of West Yorkshire Pension Fund will submit Document "L" which provides the West Yorkshire Pension Fund's financial position for the year ended 31 March 2016. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16

- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

The value of the Fund as at 31 March 2016 is £11,210.98m, a net decrease in value of £108.22m, percentage change of -0.96%.

Recommended-

That the 2015/16 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee.

(Ola Ajala – 01274 434534)

The Appendix to Document "L" is a lengthy document and is therefore being circulated on a restricted basis. It is available on the Committee Minutes database of the Council's Internet site www.bradford.gov.uk or in Committee Secretariat by contacting Fatima Butt on 01274 432227.

11. EXTERNAL AUDIT'S AUDIT COMPLETION REPORT 2015/16 - WEST YORKSHIRE PENSION FUND

The External Auditor will present the Audit Completion Report for the West Yorkshire Pension Fund **(Document "M")** which summarises the findings from the 2015/16 audit.

Recommended-

That the Committee:
- **consider the unadjusted misstatements schedule (section 5)**
- **approve the letter of requested representations (Appendix A) including the reasons for not amending the unadjusted misstatement**

(Steve Appleton - (01274) 432392)

12. EXTERNAL AUDIT'S AUDIT COMPLETION REPORT FOR THE 2015/16 AUDIT OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

The External Auditor will present the Audit Completion Report for Bradford Council **(Document "N")** which summarises the findings from the 2015/16 audit.

Recommended-

That the Audit Committee:

- **consider the Audit Completion Report; and**
- **approve the letter of requested representations (Appendix A)**

(Steve Appleton (01274) 432392)

13. STATEMENT OF ACCOUNTS 2015/16

The 2015-16 Statement of Accounts (SOA) have been externally audited and are now presented to Governance and Audit Committee for approval. The External Auditor (Mazars) has reported their findings in two separate Audit Completion Reports, one for the Council and another for the West Yorkshire Pension Fund. Members are asked to consider these before approving the SOA.

The Director of Finance will submit **Document "O"** which provides an overview of the 2015-16 Statement of Accounts and includes a response to the Council's Audit Completion Report.

Recommended-

The 2015-16 Statement of Accounts be approved and signed by the Chair of the Committee.

(James Hopwood (01274) 432882)

The Appendix to Document "O" is a lengthy document and is therefore being circulated on a restricted basis. It is available on the Committee Database of the Council's Internet site www.bradford.gov.uk or in Committee Secretariat by contacting Fatima Butt on 01274 432227.

This page is intentionally left blank

City of Bradford MDC
www.bradford.gov.uk

Report of the City Solicitor to the meeting of Governance and Audit Committee on Thursday 29 September 2016.

G

Subject:

Trident Community Council boundary change – petition requirement

Summary statement:

This report seeks to establish whether Trident Community Council should be requested to present a valid petition to trigger Bradford Council undertaking a community governance review in respect of the requested boundary change.

Parveen Akhtar
City Solicitor

Report Contact: Kathryn Jones
Phone: (01274) 433664
E-mail: k.jones@bradford.gov.uk

Portfolio:

Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

This report seeks to establish whether Trident Community Council should be requested to present a valid petition to trigger Bradford Council undertaking a community governance review in respect of the requested boundary change.

2. BACKGROUND

2.1 A Local Council is a tier of local government. It can be known as a parish, town, community or village council. It has members (councillors) elected by the people who live in its area. A Local Council is an independent organisation and its decisions, assets and liabilities are solely its own responsibility. In Bradford there are currently 19 Local Councils, with Bingley Town Council most recently established in April 2016 following a decision by Bradford Council in October 2015.

2.2 Before establishing a new Local Council or making any boundary changes to existing Local Councils Bradford Council must undertake a community governance review (CGR). This provides an opportunity for Bradford Council to review and make any appropriate changes to local governance within an area. The aim of the review is to ensure that local governance continues to be effective and convenient and that it reflects the people and interests of local communities.

2.3 In undertaking the review, the Council must have due regard to the relevant parts of the Local Government and Public Involvement in Health Act 2007, the relevant parts of the Local Government Act 1972 and Guidance on Community Governance Reviews issued by the Department of Communities and Local Government and the Electoral Commission.

2.4 "The Act places a duty on principal authorities to have regard to the need to secure that any community governance for the area under review reflects the identities and interests of the local community in that area, and that it is effective and convenient; relevant considerations which influence judgements against these two principal criteria include the impact on community cohesion, and the size, population and boundaries of the proposed area." Guidance on Community Governance Reviews – Department of Communities and Local Government (DCLG), and the Local Government Boundary Commission for England.

2.5 Bradford Council recently established a new process for running CGRs with consequent changes to the Council's constitution. The key phases of the process are:

a) CGR triggered – either through receipt of a valid petition or decision by Bradford Council
b) CGR terms of reference prepared, and taken to Governance and Audit Committee for consideration and approval (the terms of reference would include details of consultation activity with local people and any other person or body which appears to have an interest in the review).
c) The CGR process is run by Bradford Council officers.

d) The outcome of the CGR/consultation is collated, and taken to Governance and Audit Committee for consideration. The committee then make a recommendation to full Council on the outcome of the CGR.
e) Full Council make a decision and the Secretary of State and other parties are informed.

2.6 A community governance petition is a petition for a community governance review to be undertaken. If the petition area has more than 2,500 local government electors, as is the case here, the petition must be signed by at least 7.5% of the electors. Certain other requirements must be met in order for the petition to be valid - it must define the area to which the review is to relate, specify one or more recommendations which the petitioners wish a CGR to consider making, and if the specified recommendations include the alteration of the area of an existing parish (as here) the petition must define the area of the parish as it would be after alteration.

2.7 If a valid petition is received, which complies with these requirements, the Council must undertake a CGR (unless it has undertaken a CGR in the previous two years which is not the case here). When undertaking the CGR, it must consult the local government electors for the area under review, and any other person or body which appears to the Council to have an interest in the review. It must have regard to the need to secure that community governance within the area under review (a) reflects the identities and interests of the community in that area, and (b) is effective and convenient. In deciding what recommendations to make, the Council must take into account any other arrangements (apart from those relating to parishes) that have already been made or that could be made, for the purpose of community representation or community engagement in the area under review. The Council must take into account any representations received in connection with the review.

2.8 If a CGR is undertaken, it must make recommendations as to whether the parish should be abolished or not, whether the area of the parish should be altered, whether the name of the parish should be changed, and whether it should or should not have a council. The CGR must be concluded within the period of 12 months starting with the day on which Bradford Council receives the community governance petition.

3. OTHER CONSIDERATIONS

3.1 On 22 June, Trident Community Council wrote to Bradford Council's City Solicitor requesting that their geographical boundary be extended. A copy of this letter can be found at appendix 1.

3.2 Prior to creating a formal Community Council in 2010, Bradford Trident was set up as one of the national New Deal for Communities partnerships – a regeneration programme established in 1998 in some of the country's most deprived areas. The Community Council was set up to formalise the governance of the area once the New Deal for Communities new funding ceased. Community support by Bradford Trident has more recently been extended to include the area of Canterbury. They now wish for that additional area to be part of Trident Community Council, to ensure that all the communities they support are represented through the democratic processes of Trident Community Council.

3.3 It is worth noting that unlike all other Local Councils in the Bradford district Trident Community Council does not charge a precept, relying on the funding and legacy from the New Deal for Communities programme.

3.4 As already outlined a community governance review (CGR) can be triggered either through the local community providing Bradford Council with a petition with a statutory number of signatures (in this case 7.5% of the electorate) or alternatively Bradford Council can at any time choose to undertake a review.

3.5 This report therefore seeks to establish whether a petition should be requested, or whether it is deemed unnecessary in these circumstances.

4. FINANCIAL & RESOURCE APPRAISAL

4.1 If a CGR is undertaken, there will be some officer time involved, and in addition if it is deemed appropriate to carry out a mail shot as part of the consultation process, there will be costs involved in that. These costs would be borne by Bradford Council.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

This report deals only with whether the Community Council should be requested to produce a valid petition to trigger the community governance review. The detail of the CGR, should it be undertaken, and consequent impacts on the governance arrangements, would be presented at a future meeting of this committee.

6. LEGAL APPRAISAL

6.1 The power to take decisions about any boundary changes of Local Councils is delegated to local government and local communities under part 4 of the Local Government and Public Involvement in Health Act 2007. Councils are required to have regard to statutory guidance issued by the Secretary of State (see under Background Documents).

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

There are no equality and diversity issues from the decision on whether to ask Trident Community Council to produce a petition to trigger the community governance review.

7.2 SUSTAINABILITY IMPLICATIONS

There are no sustainability implications from the decision on whether to ask Trident Community Council to produce a petition to trigger the community governance review.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS
There are no gas emission impacts from the decision on whether to ask Trident Community Council to produce a petition to trigger the community governance review.

7.4 COMMUNITY SAFETY IMPLICATIONS
There are no community safety implications from the decision on whether to ask Trident Community Council to produce a petition to trigger the community governance review.

7.5 HUMAN RIGHTS ACT
There are no human rights implications from the decision on whether to ask Trident Community Council to produce a petition to trigger the community governance review.

7.6 TRADE UNION
None

7.7 WARD IMPLICATIONS
The decision on whether Trident CC should be asked to prepare a petition would have a bearing on the wards that are covered by the Local Council – Little Horton and City Ward.

8. NOT FOR PUBLICATION DOCUMENTS
None.

9. OPTIONS

9.1 Option 1 – For Bradford Council to undertake a community governance review **without** the need for Trident Community Council to produce a petition.

9.2 Option 2 – To request that Trident Community Council **produce a valid petition** to trigger Bradford Council undertaking a community governance review.

10. RECOMMENDATIONS

The Committee's instructions are requested.

11. APPENDICES

- Appendix 1 – Letter from Trident Community Council to City Solicitor requesting a boundary change.

12. BACKGROUND DOCUMENTS
- Community Governance Review Guidance – Department for Communities and Local Government, and The Local Government Boundary Commission https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8312/1527635.pdf

- Local Government and Public Involvement in Health Act 2007
  http://www.legislation.gov.uk/ukpga/2007/28/contents

Appendix 1 – Letter from Trident Community Council to Bradford's City Solicitor requesting a boundary change

Parveen Akhtar – City Solicitor
City Hall
Centenary Square
Bradford
BD1 1HY

22nd June 2016

Dear Parveen

Request to extend Community Council's Boundary

I am writing on behalf of Bradford Trident Community Council to request a full Community Governance Review so that the Community Council can extend its boundaries to include Canterbury following requests and discussions from local residents and community groups in Canterbury to have formal representation. We have had an initial meeting with Kathryn Jones who has discussed the process with us.

Canterbury is a deprived and disadvantaged area and almost forgotten community well known for its social issues, similar to many inner city areas in Bradford and also to those in the present Community Council area. Canterbury is already part of the BD5 area so holding a Community Governance Review offers an opportunity to put in place strong, clearly defined boundaries. Bradford Trident already runs community development work in some areas of Canterbury along with the Better Start Bradford who have started delivering programmes to improve the lives on 0-3 year olds in the area, so we feel that extending our boundaries to include the ward of Canterbury would be a natural progression.

We feel strongly that Canterbury should be included in our Community Council area so that their interests are represented, local identity will continue to be reflected and also to help strengthen community action. The recommendation is to enlarge the Community Council area from its current boundary of Little Horton Lane to the residential area bordering with Horton Park. In terms of street boundaries, starting at Little Horton Lane, along Horton Park Avenue, turning onto Powell Avenue which leads onto Dawnay Road, turning onto Kettlewell Drive, Basil Street and Melba Road which leads onto A6177/Hudson Avenue back down to Little Horton Lane. This is a natural part of the BD5 boundary; a map of the proposed extended area is attached showing the easily identifiable borders.

The Community Council feels that the present boundary does not accurately reflect the community of interest of the area. We feel that the local people of Canterbury should be consulted and given the opportunity to be represented by the Community Council. Residents living in Canterbury have ties with the Community Council area and use local amenities and schools. Decisions are currently made about various services such as environmental issues and planning development without the local Canterbury people having a direct say in what is happening in their area.

The Community Council is one of the only parish councils in the country to not set a precept, currently running on contributions from Bradford Trident, so we feel that following a full consultation, many of the Canterbury residents would be in favour of having representation on the Community Council.

Due to these reasons, we think it would make sense for the proposed area of Canterbury to become a designated ward of the Community Council and to elect Councillors to represent it on the Community Council. We feel that the Community Governance Review ought to bring about improved community engagement, better local democracy and result in more effective and convenient delivery of local services so in time, Canterbury will become empowered and capable of overcoming its own difficulties.

Thank you for your time and if you have any questions, please do not hesitate to contact me.

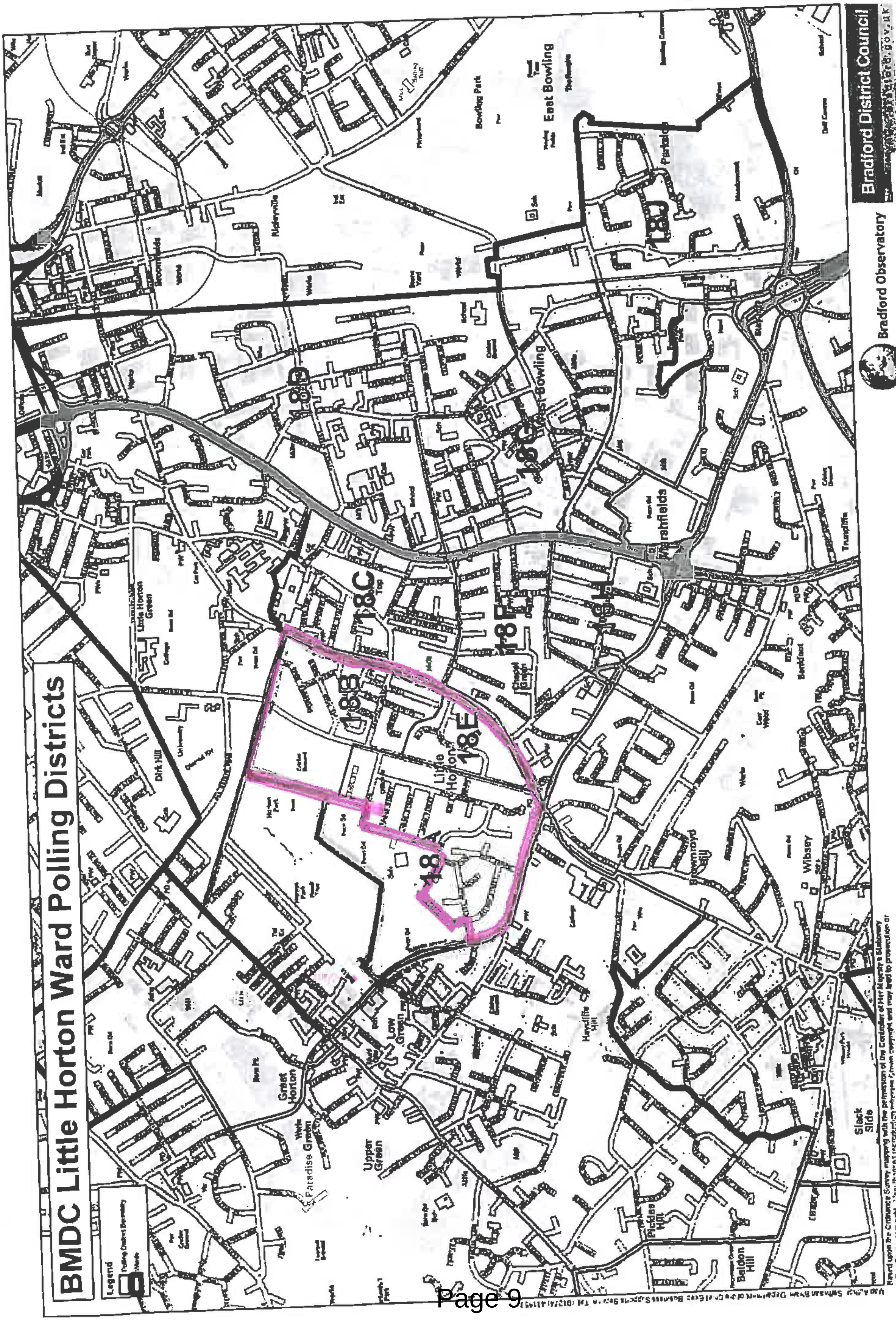
We look forward to hearing from you in due course.

Yours sincerely

Nasreen Khan
Chair

Enc

Cc Kathryn Jones
Carlton Smith
Becci Holmes



BMDC Little Horton Ward Polling Districts
Bradford District Council
Bradford Observatory
Legend
East Bowling
Bowling Park
Marshfields
Little Horton Green
Dirk Hill
Horton Park
Little Horton
Chapel Green
Great Horton
Low Green
Upper Green
Paradise Green
Haycliffe Hill
Brownroyd Hill
Wibsey
Slack Side
Beldon Hill
Pickles Hill
18B
18C
18D
18E
18F

This page is intentionally left blank

City of Bradford MDC
www.bradford.gov.uk

Report of the Finance Director to the meeting of the Governance & Audit Committee to be held on 29th September 2016

H

Subject:

Corporate Fraud Unit – annual performance information.

Summary statement:

The purpose of this report is to: Present the annual fraud performance information, as required by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

Stuart McKinnon-Evans
Director of Finance

Report Contact: Tracey Banfield / Harry Singh
Phone: (01274) 434794 / 7256
E-mail: tracey.banfield@bradford.gov.uk
harry.singh@bradford.gov.uk

Portfolio:
Leader of the Council & Corporate

Overview & Scrutiny Area:
Governance & Audit

Parveen Akhtar, City Solicitor

1. SUMMARY

The purpose of this report is to:

Present the annual fraud performance information, as requested by the Committee, to provide assurance that the Council's counter fraud arrangements are effective.

2. BACKGROUND

The Corporate Fraud Unit has reported to Committee, on counter fraud performance, since June 2012. The information in this report represents the performance of the Council's Corporate Fraud Unit during the period 1st April 2015 to 31st March 2016 and is shown in full at Appendix A.

3. OTHER CONSIDERATIONS

3.1 Referral and Investigation

In 2015/16 the Corporate Fraud Unit received 746 referrals alleging that fraud, theft and/or other financial irregularity was being committed against the Council compared with 2052* referrals in 2014/15. This was an expected reduction in referrals following the transfer of Housing Benefit investigation (including some resource – see section 5) to the Department for Work and Pensions Single Fraud Investigation Service (SFIS) on 1st April 2015.

*Of the 2052 referrals received in 2014/15, 1385 related to Housing Benefit.

The table below demonstrates the number of referrals accepted for investigation.

Table 1

	Total for Financial year ending 31st March 2016	Total for Financial year ending 31st March 2015
Investigations	**574**	**877**

Following the loss of referrals relating to Housing Benefit fraud and the loss of Corporate Fraud Unit staff (see section 5) the remaining dedicated resource has prioritised the areas of fraud / theft and/or other financial irregularity where the loss to the Council is significant and financial investigations may be appropriate.

The following table represents the types of fraud investigated in 2015/16.

Table 2

Type of fraud	Number investigated	As a % of total investigations
Social Care / Direct Payments	4	1
Revenues related*	314	55
Blue Badge	187	32
Grants	5	1
Social Housing Tenancy Fraud	42	7
Procurement	1	0
Theft (e.g. Council property, assets)	21	4

*Revenues related fraud refers to, for example, Council Tax liability, Council Tax Single Person discount, Council Tax Reduction scheme, any Business Rates related fraud or any other benefit, discount, allowance administered by the Council.

Whilst the vast majority of the investigations (87%), carried out in 2015/16, were "Revenues related" (see definition above) and Blue Badge misuse / abuse, an increased number of more complex investigations, in the other areas of fraud listed in Table 2, commenced. In 2016/17 this trend has continued.

In order to ensure that all Council staff are aware of their responsibilities, regarding reporting suspicions of fraud / theft or other financial irregularity, against the Council, a fraud awareness e-learning package was developed, in conjunction with the Council's external Auditors, to be available for staff from 1st April 2016. For those Council staff without a PC a key messages brief was delivered via Managers Express. The results of introducing this package and the impact on the number of referrals received is yet to be analysed but will be reported to Committee in the next annual performance report.

3.2 Summary of performance in 2015/16:

Table 3

		Total for Financial year ending 31st March 2016	**Total for Financial year ending 31st March 2015**
Investigations (concluded in the period)**uncovering fraud / theft and /or irregularity**		**384**	**589**
	Including;-		
	Prosecutions *(as a % of total investigations uncovering fraud/theft and/or irregularity)*	***43*** *(11%)*	***63*** *(11%)*
	Other sanctions *(as a % of total investigations uncovering fraud/theft and/or irregularity)*	***187****(49%)*	***214*** *(36%)*
	Dismissals *(as a % of total investigations uncovering fraud/theft and/or irregularity)*	***10*** *(3%)*	***19*** *(3%)*

Table 3 demonstrates that, of all the investigations where fraud, theft and/or irregularity were uncovered, 63% resulted in a prosecution or other sanction or in the case of a Council employee, a dismissal.

The remaining 37% did not fall into these categories for a variety of reasons. For example there may have been insufficient evidence to support a criminal prosecution or sanction but sufficient information to amend a benefit, discount or disregard and/or recover any losses.

Another example is relating to the misuse of Blue Badge investigations where evidence of misuse is uncovered but the Council accepts the mitigation offered and as it is a first offence issues a letter reminding the Badge holder and/or Badge user of the terms and conditions of the scheme. In 2015/16 121of these letters were issued.

3.2.1 Other sanctions

The Committee will recall this refers to cautions, written warnings and administrative fines and in 2015/16 was the most popular outcome for those found committing fraud, theft or other financial irregularity. This is largely due to the regular programme of "action days" carried out by the Corporate Fraud Unit, in conjunction with the Council's Parking Services, to combat the misuse and abuse of Disabled Persons Parking (Blue Badge) permits, work which continues to receive plaudits by the local mobility groups and the media.

In 2015/16 there were 38 Blue Badge action days which produced 62 cases for investigation, resulting in 2 prosecutions, 21 cautions and 37 written warnings.

3.2.2 Financial Investigation

Financial Investigation is an important tool in the fight against crime and it can provide valuable new avenues for investigations. The Proceeds of Crime Act (POCA) 2002 was not intended solely to seize the assets of those committing large-scale financial fraud, but also for those involved in low value, high frequency acquisitive crime.

The Corporate Fraud Unit has continued to integrate financial investigation across investigative processes in order to enhance the quality of investigations, disrupt criminality, protect communities and build public trust and confidence sending a strong message to both criminals and the community that "crime will not pay".

The Committee will recall that where an investigation into fraud, corruption, theft or other financial irregularity is considered to be likely to result in a conviction, the Corporate Fraud Unit will refer all suitable cases for financial investigation (normally those where the loss is £5,000 or more) with a view to recovering monies, or property, obtained as a result of the crime. When appropriate, applications will be made to the Courts for restraint orders to freeze and stop the offender from dissipating assets. The Council will seek to recover assets by means of supporting confiscation order proceedings under the Proceeds of Crime Act 2002 or the Criminal Justice Act 1988.

In 2015/16 the Corporate Fraud Unit referred 4 new cases for financial investigation, to West Yorkshire Joint Services, made 1 application to the Courts for a restraint order and had 2 successful confiscation hearings relating to Housing Benefit, Council Tax Benefit and Mortgage fraud. The 2 confiscation hearings resulted in confiscation orders of £18,000 being awarded to the Council. Additionally there are 3 cases concluded in 2015/16 where confiscation hearings are timetabled later this year and it is expected that the confiscation orders made to the Council will be significant.

One such confiscation hearing is scheduled for December 2016 and follows one of the Corporate Fraud Unit's most complex and protracted investigations involving Adult Social Care Direct Payments fraud. A two year long fraud and financial investigation preceded a 6 week Crown Court trial where the defendant entered a not guilty plea to offences of misappropriation of funds amounting to, in excess of £138,000. He was found guilty by jury and a 42 month imprisonment sentence was imposed. The Proceeds of Crime confiscation hearing is likely to result in a significant confiscation order which will account for the Council's loss, any investigative and legal costs, and a further award based on a percentage of the proceeds of the crime.

3.2.3 Employee investigations

Employee investigations remain small in number and continue to account for only a relatively low percentage of the total investigations carried out by the Corporate Fraud Unit.

27 employee investigations were concluded in the year 2015/16 when 12 employees were dismissed or resigned prior to the disciplinary hearing and 4 others had final or written warnings or other informal action taken.

The Corporate Fraud Unit, in conjunction with Internal Audit and Human Resources continues to work with Council Departments, to keep instances of fraud, theft and/or financial irregularity, by Council employees, to a minimum.

3.2.4 Working in Partnership with Wakefield Metropolitan District Council

Following an initial pilot in 2015, to look at the feasibility of sharing investigative resource across Bradford and Wakefield Councils, on 1st April 2016, the Corporate Fraud Unit launched a second pilot to deliver fraud investigation services jointly, managed by Bradford. The success of the pilot will be reviewed in the autumn with a view to detailing options on the way forward from 1st April 2017. The Committee will be updated as to how this progresses.

3.2.5 Working with the DWP (Single Fraud Investigation Service)

Following the introduction of the Single Fraud Investigation Service, the DWP realised that only limited formal arrangements existed, between its SFIS Investigators and Council Investigators, to share allegations of fraud, data and intelligence; conduct a joint investigation and interview and pursue a single joint sanction. They realised that this would result in duplication, delay and wasteful use of resources for both the Council and the DWP and therefore In 2015, following Ministerial discussions, initiated by DCLG, a cross - government Joint Working Support Team was commissioned to consider the potential for collaborative working between DWP and LA Investigation Teams covering all administered benefits.

Bradford, along with numerous other Council's, had expressed concerns at the time about the impact SFIS would have on future collaborative working and questioned why the joint working approach, used by the DWP investigators and Council investigators for many years, was not been replicated post SFIS.

These concerns however were not addressed and Bradford, when approached by DWP, agreed to participate in testing "the new Joint Working approach" along with 4 other Council's (Swansea, Wandsworth, Hertfordshire and West Dumbarton).

The test went live in November 2015 and was originally intended to last for a minimum of 6 months, until May 2016 but this has recently been extended to November 2016 and two additional Councils, Wakefield and Sutton, have joined the pilot.

Since the start of the pilot to the 31st March 2016, the CFU engaged in 27 joint investigations of which 1 have been approved for prosecution so far. Since 1st April 2016 a further 64 joint investigations have been raised and are currently on going.

4. OPTIONS

Members may wish to request further action or investigation into any performance areas.

5. FINANCIAL & RESOURCE APPRAISAL

The Corporate Fraud Unit now consists of 11 staff - 1 manager/supervisor, 7 investigators and 4 support staff.

The cost of the unit in 2015/16 was £551,454, the majority of this being funded through the grants provided by the Department for Work and Pensions for the administration of Housing Benefit, as a decision to continue funding Council's for a maximum period of 12 months following the transfer of Housing Benefit investigation was made to allow Council's time to manage the transition. The Council's Corporate Fraud Unit lost 6 staff following the loss of Housing Benefit investigation.

In 2016/17 the grant from the DWP has been reduced leaving the Corporate Fraud Unit with a shortfall which it hopes to recoup through awards made under the Proceeds of Crime Act (See section 3.3 Financial Investigation).

In 2015/16 the Corporate Fraud Unit identified losses amounting to £957,000. £742,000 of this was actual recoverable financial overpayments obtained through fraud, theft or other financial irregularity and the remaining a notional loss from recovering properties, subject to tenancy fraud (National Fraud Authority notional loss £18,000 per annum per property), and preventing the misuse and abuse of Disabled Persons Parking (Blue Badge) (National Fraud Authority notional loss £499 per annum per blue badge permit).

An important element of assessing the value of a Corporate Fraud Unit is not just about measuring the identified losses but also being able to measure the deterrent factor having a dedicated Unit brings and the CFU will continue to explore how best it can measure this.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

Counter fraud performance will continue to be to be reported to this Committee.

As previously mentioned, in section 5, funding for the CFU was largely covered in 2015/16 by a Government grant relating to Housing Benefit administration, which has subsequently been reduced from April 2016, following the Council's transfer of Housing Benefit fraud investigation on 1st April 2015. This reduction has created a pressure of £120k on the Corporate Fraud Unit budget which the Council aims to recoup through awards made under the Proceeds of Crime Act and/or any efficiency identified through the joint working with Wakefield (see section 3.2.4).

7. LEGAL APPRAISAL

The Council has the power to bring any criminal proceedings before the Court ''in the interests of the inhabitants of its district" under section 222 Local Government Act 1972.

The Council Legal Service has been a key partner in the Council's counter fraud approach as it has provided specialist advice, support and services and ensured compliance with all relevant legislation pertaining to the prevention, detection and investigation of fraud, corruption and theft, (for example the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Regulation of Investigatory Powers Act 2000, Data Protection Act 1998).

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Some high level profiling is used to inform a risk based approach to investigation and to ensure the effective allocation of resources. However, all decisions on investigations are made on the facts of the case only.

8.2 SUSTAINABILITY IMPLICATIONS
None

8.3 GREENHOUSE GAS EMISSIONS IMPACTS
None

8.4 COMMUNITY SAFETY IMPLICATIONS
The reduction of all crime, including fraud, corruption and /or theft, contributes to improving community safety.

8.5 HUMAN RIGHTS ACT
The Council's current counter fraud approach complies with the Human Rights Act, in particular in relation to surveillance and the right to privacy. All surveillance operations are formally approved in compliance with the Regulation of Investigatory Powers Act and Council protocols.

8.6 TRADE UNION
None.

8.7 WARD IMPLICATIONS
Counter fraud information is available by ward area if required.

8.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS
(for reports to Area Committees only)

None

9. NOT FOR PUBLICATION DOCUMENTS
None

10. RECOMMENDATIONS
That the Committee notes the key performance information at Appendix A

11. APPENDICES
Appendix A - Key performance information from 1st April 2015 to 31st March 2016

12. BACKGROUND DOCUMENTS
None

Appendix A - Key Counter Fraud performance information

Counter Fraud Performance Information 1st April 2015 to 31st March 2016					Total for the financial year ending 31st March 2015
		Employee	**Citizen**	**Total**	
Investigations Concluded in the period		27	580	**607**	**877**
Investigations where fraud / corruption theft or irregularity uncovered including;-		24	360	**384**	**589**
	Prosecutions Concluded in the period	0	43	43	63
	Other sanctions Cautions, fines, warnings concluded in the period	2	185	187	214
	Dismissals Including resignations prior to hearing concluded in the period	10	n/a	10	19

City of Bradford MDC
www.bradford.gov.uk

Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 29 September 2016.

I

Subject: **PUBLIC SECTOR INTERNAL AUDIT STANDARDS – PROPOSALS FOR UNDERTAKING AN EXTERNAL REVIEW OF INTERNAL AUDIT**

Summary statement:

To outline the benefits of, and seek the Governance and Audit Committee's Agreement to, the proposed arrangements for carrying out the external review of the Council's Internal Audit function, as required by the Public Sector Internal Audit Standards (PSIAS).

Stuart McKinnon Evans
Director of Finance

Report Contact: Mark St Romaine
Phone: (01274) 432888
E-mail:
mark.stromaine@bradford.gov.uk

Portfolio

Corporate

Improvement Area:

Corporate

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

1. **SUMMARY**

1.1 To outline the benefits of, and seek Governance and Audit Committee's Agreement to, the proposed arrangements for carrying out the external review of the Council's Internal Audit function, as required by the Public Sector Internal Audit Standards (PSIAS).

2. **BACKGROUND**

2.1 The Accounts and Audit Regulations 2015 require the Council to have an Internal Audit function which operates in accordance with best professional practice. Compliance with the Public Sector Internal Audit Standards (PSIAS) is now acknowledged as adhering to best practice.

2.2 One of the requirements is the need for an external assessment of the Internal Audit service under Standard 1312 - External Assessments which states

"External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The Chief Audit Executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest."

2.3 Heads of Internal Audit from across the West and South Yorkshire councils have discussed the potential options for procuring their external assessment, as required by the PSIAS. Such options include:

- Peer reviews to be carried out by Heads of Internal Audit across the West / South Yorkshire Group;
- Buying in the function from a professional body, e.g. The Institute of Internal Auditors;
- Buying in the service from another suitably qualified and experienced individual / firm;
- Provision of the function via the appointed external auditor

2.4 Following detailed discussion of the above options the consensus amongst the Heads of Internal Audit was that some form of Peer review of each other's arrangements was preferred. To this extent a Briefing Note / Terms of Reference document has been produced by the Group – see Appendix 1 attached, which sets out some benefits of the proposed approach, including:

- Cost benefits through carrying out the Peer Reviews within existing resources;
- Consistency of approach through all "signing up" to one method of review;
- Provides further evidence of the willingness and benefits of collaborative working.

In addition to the benefits summarised above, it should be noted that undertaking the External Assessments through a Peer Review exercise will also create enhanced Peer to Peer learning opportunities, amongst senior officers within each Council taking part, thus providing valuable experience and knowledge which can be put to further use in the future.

2.5 Since the terms of references were agreed in 2014, Sheffield and Leeds have decided to join the core cities external assessment approach whilst Rotherham is looking for an assessment from an independent provider. This has left six Councils, Bradford, Wakefield, Kirklees, Barnsley, Doncaster and Calderdale who are looking to adopt a peer review process. In order to maintain the independence of the review process it has been provisionally agreed that the following peer reviews should take place.

Assessor / Assessed

Bradford / Barnsley
Doncaster / Bradford
Barnsley / Calderdale
Kirklees / Doncaster
Calderdale /Wakefield
Wakefield / Kirklees

2.6 In March 2016 Bradford Internal Audit Service completed the review of Barnsley Internal Audit Service which included the South Yorkshire Committees also supported by Barnsley Internal Audit Service. The Audit Committee at Barnsley welcomed the professional approach undertaken by the Bradford review team. At the current time Calderdale are embarking on the review at Wakefield and Barnsley at Calderdale.

2.7 Bradford Council Internal Audit Service is currently transforming its working practices through the adoption of MK Insight (a software package that supports an ICT based internal audit service). Once this has been completed, which is planned for March 2017, Bradford would like to initiate its PSIAS review by Doncaster Council Internal Audit Service. This will be partially dependent on the availability of colleagues from Doncaster which will need to be confirmed nearer the time. The Bradford sponsor of the review will be the Director of Finance

2.8 The result of the review will be the issuing of a report to this Committee which will provide an assessment of compliance with the PSIAS, an action plan and implementation dates to deliver on any improvements. The report will cover the Internal Audit operations for both Bradford Council and the West Yorkshire Pension Fund.

3. OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION

3.1 Not Applicable.

4 OTHER CONSIDERATIONS

4.1 There are no other considerations.

5. **OPTIONS**

6. **FINANCIAL AND RESOURCE APPRAISAL**

6.1 There are no specific financial implications associated with the recommendation within this report. Costs associated with the proposed external assessment process will be met from existing resources.

7. **RISK MANAGEMENT**

7.1 The work undertaken within Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks.

8. **LEGAL APPRAISAL**

8.1 The Committee must satisfy itself that it has fulfilled its obligations as set out in the 2015 Regulations, which were drawn up to set out provisions on financial management, annual accounts and audit procedures applying to local authorities. Carrying out an external review of Internal Audit as proposed in this report contributes to adhering to the best practice professional auditing standards as required by the regulations.

9. **OTHER IMPLICATIONS**

9.1 **Equal Rights**

Internal Audit seeks assurance that the Council fulfils its responsibilities in accordance with its statutory responsibilities and its own internal guidelines. When carrying out its work Internal Audit reviews the delivery of services to ensure that they are provided in accordance with the formal decision making process of the Council.

9.2 **Sustainability Implications**

When reviewing Council Business Internal Audit examines the sustainability of the activity and ensures that mechanisms are in place so that services are provided within the resources available.

9.3 **Greenhouse Gas Emissions Impacts**

There are no impacts on Gas Emissions.

9.4 **Community Safety Implications**

There are no direct community safety implications.

9.5 **Human Rights Act**

There are no direct Human Rights Act implications.

9.6 **Trade Union**

There are no implications for the Trade Unions arising from the report.

9.7 **Ward Implications**

Internal Audit will undertake specific audits through the year which will ensure that the decisions of council are properly carried out.

10 **NOT FOR PUBLICATION DOCUMENTS**

10.1 None.

11. **RECOMMENDATIONS**

11.1 That the proposed arrangements for a peer review undertaken by Doncaster Council's Internal Audit Service are accepted by the Committee as appropriate to meet the requirements of the PSIAS and to provide the necessary external assurances on the effectiveness of Bradford Council's Internal Audit Service.

12. **APPENDICES**

Appendix 1 West & South Yorkshire Heads of Internal Audit Group, External Assessment – Peer Review, Briefing Paper / Terms of Reference

13. **BACKGROUND DOCUMENTS**

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards 2013.

APPENDIX 1

West & South Yorkshire Heads of Internal Audit Group

External Assessment – Peer Review

Briefing Paper / Terms of Reference

Purpose of the Paper

At the meeting of the West and South Yorkshire Heads of Internal Audit (HoIA) Group held on the 20th November 2013 it was agreed that member authorities should begin to formalise the arrangements for their external assessments and develop a clear basis for the approach to be taken to undertaking such assessments.

It was agreed at this meeting that the external assessment process should be undertaken as a peer review whereby one Authority would undertake a peer assessment of a different Authority within the group. This approach forms the basis of this paper which provides background information regarding the requirements of the Public Sector Internal Audit Standards (PSIAS) in so far as they apply to external assessments along with details of the process to be followed by members of the group.

Background Information

Members of the Peer Group:

West Yorkshire: Wakefield Metropolitan District Council; Bradford City Council; Calderdale Council; Kirklees Metropolitan Council; Leeds City Council

South Yorkshire: Sheffield City Council; Rotherham Metropolitan Borough Council; Doncaster Metropolitan Borough Council; Barnsley Metropolitan Borough Council

External Assessments:

The purpose of the external assessment is to help improve delivery of the audit service to an organisation. The assessment should be a supportive process that identifies opportunities for development which ultimately helps to enhance the value of the audit function to an Authority.

External assessments must be conducted at least once every five years by a qualified, independent reviewer from outside of the organisation. The HoIA should involve their Audit Committee and Section 151 Officer in determining the frequency, timing and scope of their external assessments as well as the selection of who will conduct the review and terms of reference for the review.

The two possible approaches to external assessments include either a full external assessment or an internal self-assessment which is validated by an external reviewer.

External reviewers should:

- Possess a recognised professional qualification
- Have appropriate experience of internal audit - at least five years at manager level within the public sector / local government
- Have detailed knowledge of leading practices in internal audit
- Have current, in-depth knowledge of the Definition, the Code of Ethics and the International Standards.

The HoIA should discuss the proposed form of the external assessment with their Line Manager (where relevant) and Audit Committee or Section 151 Officer (or equivalent) or Chief Executive prior to making recommendations to the Board (this is usually the Audit Committee) regarding the nature of the assessment. The scope of the external assessment should have an appropriate sponsor, such as the Chair of the Audit Committee or Section 151 Officer.

The HoIA should report the results of their quality assurance improvement programme (ongoing activity, internal and external assessments) to stakeholders. Such stakeholders should monitor the implementation of actions arising from internal and external assessments.

Members of the West and South Yorkshire HoIA Group have elected to adopt the latter of the 2 approaches; that is to first carry out an internal assessment, with another member of the West and South Yorkshire Internal Group undertaking an external validation of this. The key benefit of this approach is cost. The Chartered Institute of Internal Auditors (CIIA) offer a service to provide external assessments and can undertake a full external quality assessment which takes around 8 days at a minimum cost of £10K. They also provide a validated assessment, similar to the approach agreed by the West and South Yorkshire Internal Audit Group, which takes 6-8 working days and costs between £6K and £9K. Reviews at the higher end of the scale would include interviews with the senior team and the Audit Committee chair.

There are obvious financial savings to Members of the peer group by adopting the agreed approach as outlined within this paper. In addition, such an approach is in keeping with the promotion of collaborative working arrangements.

One of the risks identified by the group in respect of this form of peer review approach relates to the potential negative impact on professional relationships in the event of adverse findings. The terms of reference outlined within this paper would aim to mitigate against such a risk / issue. The CIIA have been consulted in terms of this form of peer assessment and are supportive of the approach. At the CIPFA audit update meeting held during November 2013, such an approach was cited as a good example of best practice in obtaining best value. In addition, there have been examples of groups similar to the South and West Yorkshire Group proposing to adopt a similar approach i.e. Greater London Authorities, South West Audit Group, Core Cities.

Independence and Objectivity

Prior to the commencement of the assessments taking place all parties should agree the programme of peer reviews and an appropriate timetable. It is important to ensure the independence of the Auditor undertaking the peer assessment. Any known or perceived conflicts of interest should therefore be disclosed. It should be acknowledged at the outset that all West and South Yorkshire Internal Audit services have some knowledge of each other.

Agreeing the Assessment Process

West and South Yorkshire colleagues should agree a programme of assessments taking into account the requirement noted above regarding independence and objectivity. In addition, colleagues should agree the number of days to be assigned to undertaking assessments, along with the sponsor for each review.

The Assessment Process

Completion of the Checklist:

Each HoIA must complete the Checklist for Conformance with the PSIAS which is attached to the Local Government Application Note in advance of the external assessment.

Pre Assessment Phase:

- Confirm the terms of reference for the review, timescales and dates for the review.
- Obtain background information in order to obtain an appreciation of the function. This should include the IA Charter / Strategy or Terms of Reference (independence, scope authority, purpose and the relationship with the Audit Committee and senior executives).
- Obtain details of responsibilities, resources, structure and activity.
- Obtain details of any external client organisations e.g. YPO, Joint Authorities and consider whether such organisations may have different outcomes in terms of compliance with the PSIAS and whether separate assessments may be required.
- Obtain the completed self assessment which has been sign posted to the supporting evidence.

- Obtain evidence of how quality is maintained and how performance is measured and reported.

Assessment Phase:

- Review documentation provided in support of the standards / checklist.
- Examine a sample of audit engagements according to the PSIAS and procedures.
- Interview key staff to confirm audit procedures and process.
- Undertake an exit meeting with the HoIA.

Post Assessment Phase:

The review should conclude with a detailed report providing an opinion on the Internal Audit activity's conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards highlighting any areas of partial conformance or areas which do not conform along with recommendations for improvement, where appropriate.

Reporting Phase:

- Discussion of the draft report with the HoIA and Sponsor.
- Issue of final report and agreed actions to the HoIA and Sponsor to confirm accuracy.
- Issue final report to the HoIA and Sponsor
- HoIA / Sponsor to issue final report to their Audit Committee which includes an action plan and implementation dates.

In order for each Authority to obtain maximum benefit from the peer assessment approach each HoIA should share a synopsis of their respective outputs / report with members of the West and South Yorkshire HoIA group.

It is envisaged that each phase of the assessment process should take no longer than 1 day i.e. 4 days in total.

City of Bradford MDC
www.bradford.gov.uk

Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 29 September 2016.

J

Subject:

INTERNAL AUDIT ANNUAL REPORT 2015/16

Summary statement:

This report reviews the service Internal Audit has provided to the Council during the financial year 2015/16.

Stuart McKinnon Evans
Director of Finance

Report Contact: Mark St Romaine
Phone: (01274) 432888
E-mail:
mark.stromaine@bradford.gov.uk

Portfolio

Corporate

Improvement Area:

Corporate

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

1. **SUMMARY**

1.1 The purpose of this report is to inform members of the Governance and Audit Committee (GAC) about the service Internal Audit has provided to the Council during the financial year 2015/16.

In particular Members are advised of the following:-

- Internal Audit completed 92% of the 2015/16 audit plan which, is above the target of 90%.

- Internal Audit's Client satisfaction identified that 100% of the respondents said that the "recommendations were useful and realistic" and believed that the audit was "of benefit to management."

- 100% of all high priority recommendations made from the work undertaken were accepted by management.

2. **BACKGROUND**

2.1 Internal Audit is part of the Department of Finance.

2.2 The Internal Audit Annual Report 2015/16 is contained within Appendix 1.

3. **OVERVIEW AND SCRUTINY COMMITTEE CONSIDERATION**

3.1 Not Applicable.

4 **OTHER CONSIDERATIONS**

4.1 There are no other considerations.

5. **OPTIONS**

5.1 Not applicable

6. **FINANCIAL AND RESOURCE APPRAISAL**

6.1 There are no direct financial consequences arising from this report. The work of Internal Audit adds value to the Council by providing management with an assessment on the effectiveness of internal control systems, making, where appropriate, recommendations that if implemented will reduce risk.

7. **RISK MANAGEMENT**

7.1 The work undertaken within Internal Audit is primarily concerned with examining risks within various systems of the Council and making recommendations to mitigate those risks. Consideration was given to the corporate risk register when the Audit Plan for 2015/16 was drawn up and any issues on the risk register that relate to an individual audit are included within the scope of the assignment.

7.2 The key risks examined in our audits are discussed with management at the start of the audit and the action required from our recommendations is verified as implemented by Strategic Directors.

8. LEGAL APPRAISAL

8.1 The Accounts and Audit Regulations for 2015 require the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The Council achieves this by complying with the Public Sector Internal Audit Standards (PSIAS) 2013, which it does by following the CIPFA Local Government Application Note.

8.2 Standard 2450 of the PSIAS requires an annual report to be submitted which includes an opinion on the overall adequacy and effectiveness of the organisation's control environment. This requirement is met by the attached (Appendix 1) Internal Audit Annual Report for 2015/16.

8.3 The Accounts and Audit Regulations 2015 require the Council to undertake at least annually "a review of the effectiveness of its system of internal audit". The outcome of this review has been included in the Internal Audit Annual Report as well as being part of the evidence to support the Annual Governance Statement.

9. OTHER IMPLICATIONS

9.1 Equal Rights

Internal Audit seeks assurance that the Council fulfils its responsibilities in accordance with its statutory responsibilities and its own internal guidelines. When carrying out its work Internal Audit reviews the delivery of services to ensure that they are provided in accordance with the formal decision making process of the Council.

9.2 Sustainability Implications

When reviewing Council Business Internal Audit examines the sustainability of the activity and ensures that mechanisms are in place so that services are provided within the resources available

9.3 Greenhouse Gas Emissions Impacts

There are no impacts on Gas Emissions.

9.4 Community Safety Implications

There are no direct community safety implications.

9.5 Human Rights Act

There are no direct Human Rights Act implications.

9.6 **Trade Union**

There are no implications for the Trade Unions arising from the report.

9.7 **Ward Implications**

Internal Audit will undertake specific audits through the year which will ensure that the decisions of council are properly carried out.

10 NOT FOR PUBLICATION DOCUMENTS

10.1 None.

11. RECOMMENDATIONS

That the Committee recognises and supports the work carried out by Internal Audit during 2015/16.

12. APPENDICES

Appendix 1 – Internal Audit Annual Report 2015/16.

13. BACKGROUND DOCUMENTS

13.1 Accounts and Audit Regulations 2015.

13.2 Public Sector Internal Audit Standards 2013.

13.3 GAC report dated 24 July 2015 – Internal Audit Plan 2015/16.

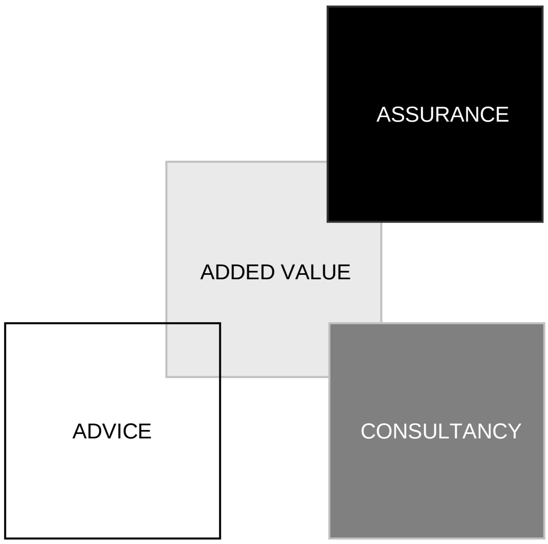
13.4 GAC report dated 27 November 2015 Internal Audit Plan 2015/16 Monitoring Report as at 30 September 2015

APPENDIX 1

INTERNAL AUDIT

ANNUAL REPORT

2015/16



DEPARTMENT OF FINANCE

INTRODUCTION

The aim of this report is to provide information on the activities of Internal Audit during the financial year 2015/16 and to support the Council's Annual Governance Statement by providing an "Audit Opinion" on the overall adequacy and effectiveness of the Council's internal control environment.

It is not the intention of this report to attempt to give a detailed summary of each audit assignment but to provide a summary of the overall audit activity identifying, whenever appropriate, significant outcomes from the audit work.

The completion and presentation of the Annual Report to Governance and Audit Committee has been completed under the requirements of the Public Sector Internal Audit Standards (PSIAS).

Mark St Romaine

Head of Internal Audit, Insurance, Information Governance and Risk

September 2016

Circulation:-

Members	Governance & Audit Committee
Stuart McKinnon Evans	Director of Finance
Mark Kirkham	Director and Engagement Lead, Mazars
All Staff	Internal Audit

1 INTERNAL AUDIT'S RESPONSIBILITIES AND RELATIONSHIPS

1.1 Governance and Audit Committee (GAC)

The Member responsibility for Internal Audit rests primarily with the GAC.

During the year the following reports were presented to Committee:-

- Internal Audit Annual Report 2014/15
- Internal Audit Plan 2015/16
- Internal Audit Plan 2015/16 Monitoring Report as at 30 September 2015.

The Committee strengthens the Council's Corporate Governance arrangements as well as bringing together the review agencies of both Internal and External Audit to one Member forum.

1.2 Staffing & Resources

In total 1,825 audit days (7.0 FTE) were available in 2015/16. This represented a resourcing gap of 1.9 FTE from the original audit resource planned in April 2014. This resource gap is attributable to the Service absorbing a net reduction of 3 FTEs in, 2015/16, when it was planned for this reduction to be phased over 3 years, with a 10% (1 FTE) reduction per annum in resources planned from its 2014/15 establishment base of 9.9 FTE.

From September 2014 the Head of Internal Audit commenced as the Head of Internal Audit at Wakefield in support of the joint working arrangement spending 40% of his time at that authority. This arrangement continued during 2015/16. One member of staff continued to give 50% of their time to provide support to the Insurance function. There has been an addition of 30 days audit resource through the purchase of computer audit services from Wakefield Council.

1.3 External Audit

In November 2012 Mazars formerly commenced its role as the Council's External Auditors. Work has continued between Internal and External Audit to establish an effective working relationship and develop a framework for co-operation in the planning, conduct and reporting of work.

The 2015-16 Internal Audit Plan was shared with External Audit as were a number of Internal Audit Reports. Whilst no formal review of Internal Audit by External Audit has taken place, External Audit has no concerns about Internal Audit from the work that has been presented to them.

1.4 Public Sector Internal Audit Standards (PSIAS)

On 1st April 2013 the Council was required to comply with the Public Sector Internal Audit Standards (PSIAS). In April 2014 Governance and Audit Committee approved the Council's Internal Audit Charter. The Internal Audit Charter details the purpose, authority and responsibility of Internal Audit with the supporting code of ethics. It details how Internal Audit activity should be completed and how the service should be managed. It links Internal Audit activity with risk management. It also determines reporting arrangements, the management of consultancy engagements and the quality assessment process.

1.5 Joint Working

Due to pressures on resources and the need to maintain a sustainable service, the Internal Audit sections of Bradford and Wakefield have been looking to deliver efficiencies through joint working. On September 1st 2014 a Service Level Agreement (SLA) was approved between the two Councils to share a Head of Internal Audit. The Service Level Agreement also requires a Business Plan to be prepared to determine an option appraisal for future service delivery. Originally the Business Plan was to be prepared for December 2015 but the timeline has been deferred until December 2016.

2. SERVICE DELIVERY - ALL

2.1 Audit Resources and Coverage

The original audit plan for 2015/16 was approved by GAC on 24 July 2015 and was based on 1,795 days of audit resources. The Internal Audit Monitoring Report presented to GAC on 27 November 2015 noted that after taking into account Internal Audit's SLA commitment to Wakefield; insurance management and accountancy support to Bradford; its audit provision to West Yorkshire Pension Fund; and its buying in of computer audit service days from Wakefield, Bradford Council would receive circa 1470 audit days in 2015/16. These days were delivered.

The audit plan was also monitored by assignments completed during the year. Completion of 90% or more of the plan is a positive indicator of the effectiveness of Internal Audit. In 2015/16, Internal Audit achieved 92% of the original plan.

2.2 Reports Issued and Control Environment

All Internal Audit assignments result in an Audit Report which identifies the audit coverage, findings from the audit, risks arising from identified control weaknesses and prioritised audit recommendations. In 2015/16 a total of 81 reports were issued, which was almost half of the 150 reports issued in 2014/15. This was due to the reduction in audit resources and prioritising their focus, primarily on the provision of assurance on the Council's fundamental financial and significant systems, which take considerably longer than other types of audit due to the level of audit testing required.

The reports issued in 2015/16 recorded that the percentage of controls satisfied was 75%, an increase of 3% on the 72% satisfied in 2014/15. This also compares favourably with the five year average of 73% of controls satisfied. As in 2014/15 the service continued to focus on and require responses only in relation to high priority recommendations. 100% of these recommendations were accepted by management.

Chart One overleaf, shows the total number of audits by type and paragraphs 2.3 onwards explain in more detail the audit coverage and some of the issues arising from the work undertaken during the year.

Chart One: Showing the Breakdown of Total Reports Produced in 2014/15 and 2015/16 by Audit Type

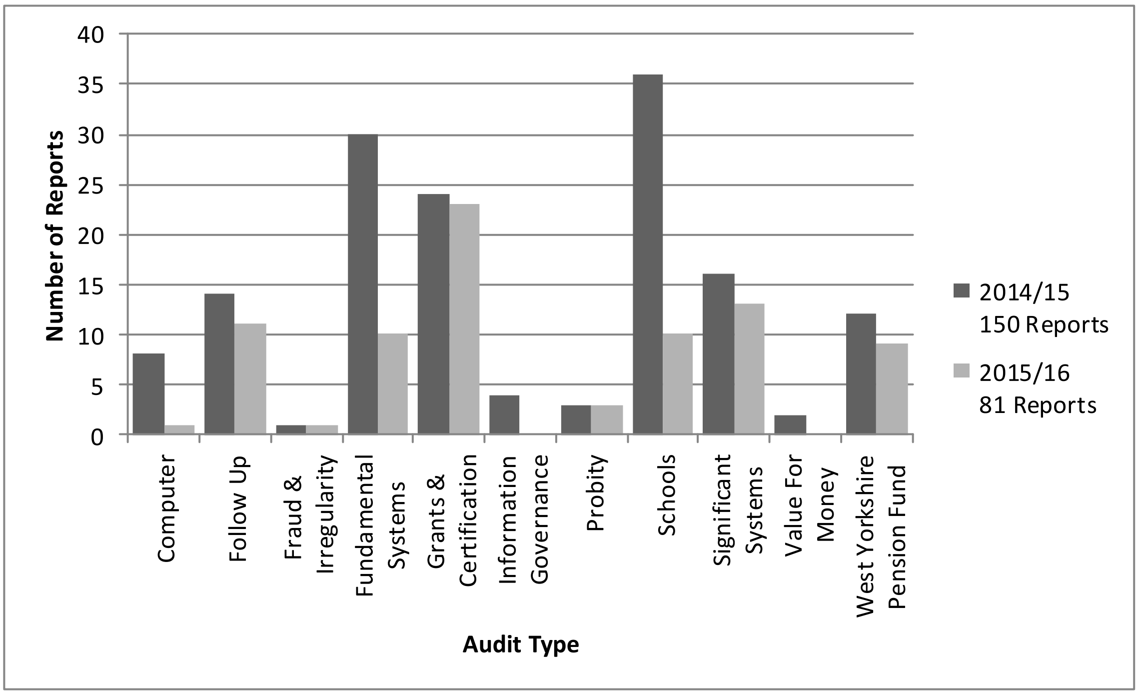
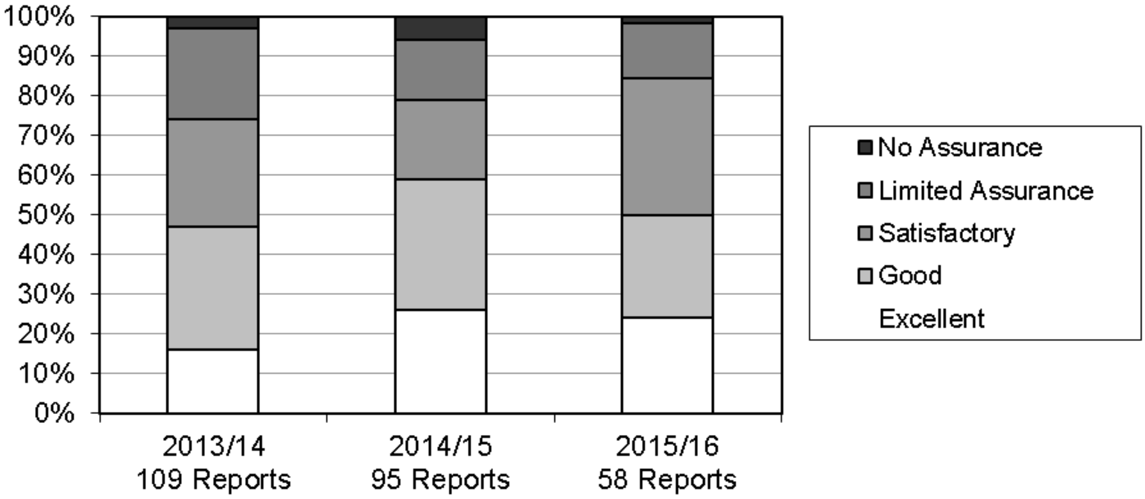


Chart Two, overleaf, shows that, from the evaluation of risks and controls in 2015/16, 84% had audit opinions that were satisfactory or above. 50% of the systems examined had either an 'excellent' or 'good' audit opinion and 34% were classified as 'satisfactory' indicating that the overall control of risk within the Council remains adequate. A total of 14% of reports had a 'limited assurance' audit opinion and 2% were categorised as 'no assurance'. As can be seen from the chart the proportion of reports with less than satisfactory opinions has improved, as it is lower than it was in 2014/15.

However the proportion of audits with good or excellent opinions has deteriorated slightly in 2015/16, from the 2013/14 levels, with satisfactory opinion being the dominant opinion in 2015/16. This may be an indicator that the Council's control environment is slightly deteriorating but may also be a distorted view due to the significant reduction in audit reports issued, including the cessation of annual assurance audits, which until 2015/16 were performed annually focusing on a small number of key controls, the majority of which gave excellent opinions.

Chart Two: Breakdown of Audit Opinions 1 April 2013 to 31 March 2016



The analysis above relates to those reports with opinions. In 2015/16 58 (72%) out of 81 issued reports had an audit opinion, compared with 95 (63%) out of 150 issued reports in 2014/15.

Opinions are derived from a standard analysis of the level of control satisfaction and number of high priority recommendations within a report. Where reports are produced that do not relate to the planned evaluation of risks and controls, for example in response to requests for advice on specific matters, or in response to known control failures there is often no opinion applied to the report.

In 2015/16, 23 (28%) of all reports issued had no opinion and accounted for 9% of the High Priority recommendations made during the year. This is a favourable comparison to 2014/15 where 55 (37%) of all reports issued in 2014/15 accounted for over 40% of the High Priority recommendations made during the year. In order to minimise the number of reports without an opinion, the methodology for applying a more subjective opinion to reports that was introduced in 2015/16 will continue to be applied wherever possible, so as to provide a fuller analysis of the control environment.

2.3 Fundamental Systems/ Assurance

Fundamental financial systems are those that are material to the Council and have a significant impact on the Council's internal control systems and the Council's accounts. The review of these systems provides assurance relating to the main systems operating within the Council and remains a significant part of the audit plan. Up until 2014/15 the fundamental system audits included a brief annual review of key controls in each of the systems, however in 2015/16 the available resources were focussed into longer more detailed audits of different elements of these systems. As a consequence the number of reports issued in relation to fundamental systems fell from 30 in 2014/15 to 10 in 2015/16.

The only fundamental systems audit to result in a less than satisfactory opinion related to the Provision of Payroll Services to Full Budget Share Schools and

External Bodies. The audit found that the systems in place provided only limited assurance that the costs incurred by the Council in delivering this service were being correctly charged and recovered. This was in spite of system changes being made following a previous critical audit in this area, and consequently the area will be subject to further audit work in 2016/17.

Of the remaining fundamental system audits, more than half resulted in opinions of ‘Good’ or ‘Excellent’, however High Priority recommendations were made to strengthen the control environment in a number of the systems by:

- ensuring that, within the ‘Accounts Receivable’ system, credit notes are supported, authorised and used appropriately and that any residual debts are raised and issued.

- ensuring that, within ‘Procure to Pay, periodic reviews of low value requisitions are carried out and that supporting documents are in place to ensure that purchases are approved by authorised staff.

- strengthening pension opt out checks, within the ‘Payroll / Human Resources’ system to ensure that employees’ pension decisions are correctly acted on.

2.4 Audit Grant and Certification Work

Certain grants received by the Council require an Internal Audit certification to confirm that the expenditure was made in accordance with the Grant Determination Letter. The number of grants requiring Audit certification has seen an increase. Internal Audit certified 9 grant claims during 2014/15. In 2015/16 this rose to 10 grants with a total of 23 reports issued. Six Highways related Grants and the Disabled Facilities Grant, all received Excellent or Good opinions. Testing at a sample of schools highlighted that the Primary PE and Sports Grant had been spent in accordance with the grant objectives, but that a significant number of schools were failing to adequately comply with the grant conditions relating to publishing details of the grant expenditure and its impact, therefore an advisory letter was sent to all authority primary schools as a result of this. In respect of the Green Deal Communities Funding, audit testing revealed that VAT had been incorrectly accounted for which required an adjustment to be made to correct this.

2.5 Significant Systems

Internal Audit produced 13 reports relating to significant systems of the Council during 2015/16. Significant systems coverage is varied and unique in some cases, and can often result from concerns raised by management.

Examples of the work carried out on significant systems are shown below:

The audit of the charging system for bulky residential waste and new bins identified that the VAT on the sale of a significant proportion of wheelie bins was not being paid over to Her Majesties Revenues & Customs which could result in fines being levied on the Council.

The review of Artists Fees processes identified that there were no documented service specific procedures for the negotiation and agreement of contracts. This could lead to poor negotiation practice increasing the risk of missed opportunities, lack of transparency, adverse financial performance and poor succession planning.

A review of Bradford West and Shipley Youth Service identified several control issues including: the method of time recording for two categories of staff was inconsistent and often incomplete; car mileage claims were not being certified as correct on the relevant form before being submitted for payment; absences for Part-time Youth Support Workers were not being recorded on ESS/MSS; and the financial monitoring of employee costs was not taking place.

The audit of the corporate risk, a Children's Safeguarding Incident occurs, found that there was good control of the corporate risk, however a number of minor areas for improving the accuracy and completeness of the corporate risk register entry were identified.

Review of the emergency planning corporate risk determined that there was a satisfactory level of control, but there was room for improvement. At the time of report, September 2015, the Council had not put in place adequate business continuity management plans for all Service areas. There was evidence that expected regular annual reviews of plans, training of staff and exercises to test plans were not taking place, resulting in an increased risk that Services would fail to continue the delivery of identified critical functions to a minimum standard in the event of Service disruption.

2.6 Value Added

Internal Audit, where possible, adds value in the work that it undertakes. The following is a sample of instances during 2015/16 where value has been added.

Audit Work	**Brief Explanation of Savings Identified or Value Added**
IT Transition Programme Management	Internal Audit reviewed the management of the programme to transition the IT service from an outsourced model to an in-house delivered service. The review which included discussions with the project manager, project leads and attendance at various programme governance boards was completed before cessation of the strategic partnership and provided assurance that the IT Transition Programme was effectively managed.
Youth Service Transfer to Neighbourhoods	The audit that was carried out at the request of the Interim Assistant Director for Neighbourhoods highlighted several audit concerns regarding adherence with the Council's financial regulations and due HR processes at the Authority's Youth Service area offices.
Payroll Services Provided to Full Budget Share Schools and External Bodies	The audit highlighted concerns regarding the timeliness and accuracy of the invoicing to full budget share schools and external bodies for the recovery of payroll costs incurred by the Council on their behalf. Also highlighted were legacy balances on the SAP ledger, some dating back to 2006-7 that management needed to resolve, which potentially could lead to the non-recovery of payroll costs. At the time of the audit it was not possible to quantify the full amount of the legacy balances, but it was indicated that it was likely to be

	more than £250k. At the 2015/16 year end it has been decided to establish an exceptional £1m provision relating to school based staff pay bill balances
Use and Production of Credit Notes	The audit added value by highlighting that there was room to improve the efficiency and effectiveness of the credit note process by the provision of information to management on a regular basis of the value and volume of credit notes being raised by their service. The audit identified that c9000 credit notes were raised annually by the Council. Service management were, however, unaware of how their service contributed to this and therefore were unable to review the appropriateness of the credits and the effectiveness of the associated invoicing processes.
Affordable Housing	A review of the 2011-2015 Affordable Housing Programme resulted in a number of recommendations relating to the management and governance of the programme which can now be applied to the 2015-2018 Programme.
Schools Direct Salaried Grant	Internal Audit performed a Schools Direct Salaried Grant funding audit at three schools. These audits were carried out at the request of the schools in order for them to sign off a government return. These audits could have been undertaken by external auditors however, it was pleasing that schools chose the Council's Internal Audit Service to carry out this verification work.
SFVS Training	Internal Audit developed a training course covering all the principles of the Schools Financial Value Standard in 2014/15. Following the success of this training, further courses were made available in 2015/16, this time with a focus on Governors attending rather than School Business Managers. Attendance was encouraging with 31 schools being represented at the training, 73% of attendees being Governors. To date, 68 individual schools have received SFVS training, representing 40% of schools in the district. The effectiveness of the training has been evident in the latest submission of SFVS forms which is encouraging and feedback from the training was very positive.

2.7 Follow Up Audits

Internal Audit follows up its audit work as described below:

a) Follow Up Returns from Strategic Directors

During 2015/16 a follow up exercise with the Strategic Directors was undertaken for 125 reports, containing 341 high priority recommendations issued up to 31.03.15 which had not previously been confirmed as actioned. The outcome was reported to GAC on 27 November 2015. The Strategic Directors' returns showed that the level of implementation was broadly in line with 2014/15 with 75% of reports and 81% of recommendations being fully actioned compared with 71% of reports and 80% of recommendations in the previous year.

b) Individual Follow Up Audits Undertaken by Internal Audit

During the year, 10 follow up audits were completed by Internal Audit to determine the actual level of implementation of agreed recommendations. The outcomes of the 9 of these were reported to GAC on the 27 November 2015. The tenth follow up (of Sickness Monitoring) was concluded after the date of the monitoring report.

In summary, 56% of the high priority recommendations followed up in 2015/16 could be confirmed as fully implemented by Internal Audit. This is a reduction in the confirmed implementation rate of 72% which resulted from the 2014/15 follow ups. Conversely, whilst remaining significantly higher than the rate found during audits, the implementation rate for these recommendations reported by Strategic Management had actually increased slightly from 87% in 2014/15 to 89% in 2015/16.

Therefore it would appear that there is a widening gap between the follow up implementation rate reported by senior management and the actual rate independently confirmed by Internal Audit. This is of concern to Internal Audit and was also highlighted in its monitoring report to GAC issued on he 27 November 2015.

In response to this issue Internal Audit is revising its follow up processes in 2016/17 to support management in implementing agreed recommendations; it will continue to perform follow up audits in 2016/17; monitor the position and report the outcome to GAC.

c) Follow Up of Audits reported in the Opinion of the 2014/15 Annual Report

The Audit Opinion of the Internal Audit Annual Report 2014/15 highlighted Continuous Health Care (CHC) as an area of concern due to none of the high priority recommendations raised in a no assurance report issued in September 2012, being implemented when followed up and subsequently reported as a no assurance audit opinion in July 2014.

Concern was raised that identified weaknesses within the system may be resulting in potentially eligible patients in the District not being identified and assessed for CHC. At the time of the follow up audit the number of people receiving CHC nationally (England total) had risen by over 30% between the start of 2009/10 and end of 2012/13. Locally, this trend was the reverse having reduced by around 38% in the same period.

A full audit of the system was agreed to be performed in 2015/16 but this, however, did not occur due to Service delays in introducing new key IT systems, Controcc and SystemOne. The audit is now planned to commence in Quarter 3 of 2016/17, once the new systems are operational and will take account of the changes to the national CHC operating model that came in to effect in 2014/15. This audit will also benefit from lessons learned from a recent audit of CHC in Wakefield Council that Internal Audit has assisted Wakefield audit colleagues on (as part of the joint working initiative).

In 2015/16 Internal Audit did, however, obtain high level assurances from management that the identified weaknesses in the system were being progressed through joint working with Health side colleagues. Independent review of key performance data since the follow up audit supports these management assurances showing that the number of patients eligible for CHC within the Bradford District has steadily risen. At Quarter 1 in 2013/14 this figure was 431(or 46.92 per 50,000) but had increased to 527 (or 56.38 per 50,000) at Quarter 4 2015/16. The gap with wider area comparators had also significantly reduced over the same period. Therefore Internal Audit are partially assured that the system has improved since it was previously reported upon in July 2014.

2.8 Schools

a) School Audits

Reports were issued to eight schools which were visited as part of the 2015/16 plan of individual school audits. Schools are included in the audit plan based on their risk score and by default these schools tend to be those which are already experiencing issues and would benefit most from audit input. Therefore it was pleasing to note that one of the schools received a 'Good' audit opinion and three were rated 'Satisfactory' which is an improvement on previous years' results.

Of the remaining four schools three had 'Limited Assurance' opinions and one school was given a 'No Assurance' opinion. This particular school is one which Internal Audit was asked to visit due to concerns about governance and financial management practices. Further support is now being given to this school to enable it to address these concerns. All the audit recommendations raised in the ensuing audit reports were accepted.

Internal Audit also published its Newsletter to all schools via Bradford Schools Online giving advice and assistance on topical issues in Autumn 2015.

b) Schools Financial Value Standard (SFVS)

All maintained schools, excluding those falling within listed exceptions, are required to complete and submit the SFVS self assessment form by the 31 March each year. In turn the Council submits an Assurance Statement signed by the Director of Finance to the Department for Education (DfE) before the 31st May. This return details the number of returns received by schools and the number who have not complied.

The SFVS Assurance Statement for 31 March 2016 was forwarded to the DfE on 27th May 2016, this reported that 158 of the Council's 170 schools had made a return. Of the returns made those indicating full compliance with the standard was 53%.

A further requirement of the SFVS is that returns are taken into consideration when setting the audit plan. The risk model used to prioritise schools for inclusion in the audit plan includes non submission of SFVS as one of a number of risk factors. Schools are selected for audit on the results of the risk model which is used to rank schools by their gross risk score. Those schools showing the highest risk score are given priority.

In addition, SFVS returns are considered as part of the full school audits conducted. The audit testing programme for schools requires auditors to review a school's SFVS return as part of the planning process prior to an audit and compare the schools self assessment judgements to their findings during the audit. A judgement is then made by the auditor on the level of correlation that can be identified between the SFVS assessment and the audit findings and advises the school to review their responses to specific questions where necessary. This position is highlighted to the school, Chair of Governors and authority recipients in the ensuing audit report.

Audit recommendations that are linked to the SFVS have been tracked as part of the audit follow up process, thus ensuring that schools are taking necessary action on all recommendations to improve their control environment and financial management practices in a timely manner.

Following the success of the training offered in 2014/15, further courses were made available in 2015/16, this time with a focus on Governors attending rather than School Business Managers. Attendance was encouraging with 31 schools being represented at the training, 73% of attendees being Governors. To date, 68 individual schools have received SFVS training, representing 40% of schools in the district. The effectiveness of the training has been evident in the latest submission of SFVS forms which is encouraging and feedback from the training was very positive.

2.9 Computer Audit

Until March 2015 computer audit work was carried out by a specialist computer auditor employed directly by the Council. The departure of this auditor also resulted in a loss to the section of the knowledge and experience required to effectively undertake technical audits in this area. However, through the joint working arrangements with Wakefield Council the section was able to obtain 30 days of Computer Audit provision during 2015/16. This allowed two reviews to take place. The first was a review of WiFi provision, which resulted in an excellent opinion. The second was a review of the IT Service Desk which was satisfactory overall, but did result in recommendations to improve the visibility of service standards and ensure that all new starters have access to the provision.

In September 2015 the Council's strategic partnership with IBM came to an end and IT services were returned to the Council. Internal Audit supported this significant change by carrying out a review of the management of the process which provided assurance that the IT Transition Programme was being effectively managed.

2.11 West Yorkshire Pension Fund (WYPF)

During 2015/16, Internal Audit carried out a variety of audits within WYPF. These included:

- **Monthly Contribution Data Usage** - In April 2014 the West Yorkshire Pension Fund introduced a new system for the monthly collection of data in respect of the contributions received from participating employers. Amongst the aims of this project was to ensure the accuracy of member records, by making the process more data efficient, to allow changes to be made to member records and to reduce the number of year end queries on the data supplied. The audit informed management as to the current position of the Monthly Contribution Data project, identified areas for improvement and assisted management to take decisions with regards to future development opportunities.

- **Reimbursement of Agency Payments** – This audit examined the reimbursement of payments made in respect of the administration service provided by the WYPF for the payment of West Yorkshire, North Yorkshire, Humberside and South Yorkshire Fire Officers pensions and also for payment of Teachers Gratuities for Bradford MDC. The work identified a number of issues and recommendations for improvement were made and accepted.

- **AVC Arrangements** - Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with two providers, Scottish Widows or Prudential. The standard of control around these arrangements was found to be excellent.

- **Review of the West Yorkshire Pension Fund 2014/15 Accounts** - This work was carried out at the request of the Financial Controller with the aim of assisting in ensuring the quality of the financial statements.

- **Life Certificates** - This process assists in confirming the continuing existence of pensioners being paid a monthly pension. WYPF aims to send Life Certificates for completion to all its pensioners at least once every seven years. Pensioners identified as “high risk,” in relation to Life Certificates, are required to complete a life certificate each year. The audit found the standard of control around this process to be excellent.

- **New Pensions and Lump Sums – Fire Pensions** - West Yorkshire Pension Fund provides an administration service for the payment of West Yorkshire, North Yorkshire, Humberside and South Yorkshire Fire Officers’ pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member’s decision to retire. The control environment was largely as required.

- **Pensioner’s Payroll** – This audit examined the pensioner’s payroll process, the majority of these payments are made, mainly on a monthly basis, to approximately 82,000 pensioners. The process was generally well controlled with a small number of suggested actions for improvement made.

- **Equities** - These investments are held under the custody of the HSBC, and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the audit found the process to be well controlled.

- **Treasury Management** - This audit reviewed the arrangements in place to ensure that surplus cash is invested in the most appropriate ways and found control of this process to be excellent.

- **Follow Up Audit – West Yorkshire Pension Fund Access to Data** - A follow up of the Access to Data audit, carried out in 2014, was undertaken to determine the level of implementation of outstanding agreed High Priority recommendations. The result of this process was deemed to be satisfactory, however, further work was required to ensure full implementation of two high priority recommendations resulting from the original audit.

2.12 Changes to the 2015/16 Plan

During the financial year some of the audits in the original plan were not performed. As in previous years this was due to factors such as a delay in system implementation or the availability of service staff and in some cases work had been completed by another service or covered by an alternative audit. Audits were also completed that were not in the original plan due to in year concerns from management or as a result of control weaknesses identified in other systems.

Details of the audits that were added or deleted from the 2015/16 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report as at 27 November 2015 is shown in Appendix A. Where an audit was removed from the Plan a reason has been given as to why this was.

2.13 Non Audit Work Performed

During the year Internal Audit has performed some non-audit work in relation to the co-ordination of the writing of the Annual Governance Statement. The Head of Internal Audit and Insurance has ongoing responsibilities for Insurance, Risk Management and Information Governance arrangements.

2.14 Internal Audit's Performance Indicators

a) Client Feedback

After each audit a client feedback questionnaire is issued for the auditee to obtain their views on the different aspects of the audit they have received. Ninety eight percent of the feedback that we received from clients was positive.

As part of the feedback process the auditees are invited to give comments and below is a sample of some of the comments received:-

The auditor was thorough, but was very helpful as took the time to understand our systems.
Very efficient audit and very personable.
A useful contribution was internal audits' attendance at the various programme governance boards.
The audit was carried out with courtesy and the message was robust and rigorous adding value to school systems.
The auditor was very thorough and his comments were constructive and very helpful for the service.

b) Timeliness of Reporting

The timeliness of issuing draft and final reports is important as it allows the audit clients the earliest opportunity to action report recommendations and forms part of Internal Audit's performance indicators. During the year 88% of reports were issued within three weeks of finishing on site, which exceeds the target of 80%, and 98% of final reports were issued within a week of agreement with management, which is in excess of the target of 90%.

c) Review of the Effectiveness of Internal Audit

A further requirement of the PSIAS is that there must be a quality assurance and improvement programme which includes both an internal and external assessment. The internal assessment completed has not currently identified any areas of concern. The external assessment of Bradford Internal Audit has not yet been performed but it is planned that Doncaster's Head of Internal Audit will undertake the peer review in 2017/18.

3. ANNUAL INTERNAL AUDIT OPINION

3.1 Public Sector Internal Audit Standards (PSIAS)

Standard 2450 of the PSIAS requires Internal Audit to state within the Internal Audit Annual Report, the annual internal audit opinion which "must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control". This is also used, as evidence, to support the "Annual Governance Statement." The opinion is shown in 3.2 below.

3.2 Audit Opinion

From the work undertaken by Internal Audit throughout the year and after taking into consideration the work undertaken by Mazars, the overall internal control environment throughout the Council appears to be adequate. There are two individual areas of concern. These are the debt management controls surrounding the Payroll Services provided to full budget share schools and external providers and the progress on Continuing Health Care. Both these areas will continue to be monitored in 2016/17.

In 2016/17, Internal Audit plans to perform further audit work to follow up on the level of implementation of agreed recommendations as it appears departments are finding it difficult to resource improvements where control weaknesses are identified. Whilst overall the Council has the required policies and procedures in place, when there is a breakdown, it is of concern that corrective action can often take significantly longer to implement than would have historically been the case.

It must also be acknowledged, that whilst the overall opinion is adequate the number of reports produced by Internal Audit in 2015/16 has significantly reduced from the total in 2014/15. This limits the quantity of evidence which the Head of Internal Audit can rely on, to support the assurance statements concerning the governance of the Authority. The Service now has capacity issues and can find it difficult to respond to specific management concerns when internal audit contributions would be advisable.

Amendments to the Audit Plan

Below is a list of audits that were added or deleted from the 2015/16 Audit Plan over and above those that were reported in the Internal Audit Monitoring Report as at 27 November 2015. Where an audit was removed from the Plan a reason has been given as to why this was.

Additional Unplanned Audit Work done in 2015/16
National College of Teachers and Leadership grant
Early Years Service - provision of early years childcare
Egress email encryption
Barnsley External PSIAS Assessment

Audits Removed from the 2015/16 Audit Plan.	Reason
Safeguarding Children	Audit coverage provided by review of the strategic risk in 15/16
Care Trust Contract	Agreed with Public Health to refocus audit resources on the review of the Dental contract in 16/17.
Strategic Risk - Quality Accessible & Affordable Housing	Audit deferred to 16/17 as duplication of coverage through review of affordable housing / new homes bonus in 15/16
s256 payments	No longer a requirement for audit certification
Strategic Risk - Regeneration & investment into District	Scope of audit was not clarified until late 15/16. Audit deferred until 16/17 to focus on the Keighley Bid.
Financial Monitoring / Budget Forecasting (schools)	Service requires more time to scope the potential audit which was proposed to be cross cutting in nature.

City of Bradford MDC
www.bradford.gov.uk

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 29 September 2016.

Subject: **K**

Review of arrangements for securing value for money

Summary statement:

The report updates the Governance and Audit Committee on our 2015/16 value for money conclusion

Mark Kirkham
Partner
Mazars LLP

Report Contact: Ross Woodley
Phone: (0191) 3836303
E-mail: ross.woodley@mazars.co.uk

1. SUMMARY

We have a statutory duty to confirm that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion). We reported our value for money risk assessment to the Committee in April 2016 and this report updates the assessment and summarises the findings which support our value for money conclusion.

The report accompanies our Audit Completion Report which is also on the Committee's agenda.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee considers the review of arrangements for securing value for money report.

11. APPENDICES

Review of arrangements for securing value for money report

12. BACKGROUND DOCUMENTS

None.

City of Bradford Metropolitan District Council

Review of arrangements for securing value for money

29 September 2016

MAZARS

Contents

01 Executive Summary

Background

Section 20 of the Local Audit and Accountability Act 2014 gives us a statutory duty to confirm that you have made proper arrangements for securing economy, efficiency and effectiveness in your use of resources. The Code of Audit Practice 2015 requires us to adopt a risk-based approach to this work, focussing on criteria set annually by the National Audit Office (NAO). NAO issued Audit Guidance Note 3 in November 2015 that defined sector specific risk areas for 2015/16. Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion:

Overall criterion: "*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people*."

To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements but these are not separate and auditors are not required to reach a distinct judgement against each one:

Sub-criteria:

- informed decision making;

- sustainable resource deployment; and

- working with partners and other third parties.

Approach

Between February and April 2016 we used NAO's guidance to carry out an audit risk assessment for our value for money work, which we reported to Governance and Audit Committee in April 2016. We considered that the Council's financial position represented a significant risk to our value for money conclusion and required us to undertake further work to reach our value for money conclusion. Your need to transform services and functions to reduce costs and address funding gaps in future years represents a significant challenge for sustainable resource deployment. The Council had arrangements in place in most areas but there remained a risk of those arrangements not achieving the required outcome and consequently further work was required to assess whether or not these arrangements were sufficient.

Our further work involved reviewing:

- arrangements for implementing savings plans and monitoring achievement;
- plans to bridge the funding gap for future years;
- the updated Medium Term Financial Plan;
- year-end financial and performance reports;
- the 2015/16 Annual Governance Statement;

- the Council's response to the June 2015 OFSTED report on school improvement; and
- PSAA's VFM Profile and benchmarking against other metropolitan authorities that we audit.

We have now completed this further work and this report summarises our findings and updates our initial risk assessment of your arrangements using the same red / amber / green (RAG) rating with the following definitions.

No residual risks to the VFM Conclusion	Green
Residual risks remain after the completion of the above planned work and further work proposed	Amber
Significant residual audit risk – modified VFM Conclusion	Red

Conclusion

The Council has a strong track record of delivering savings and keeping within budget. However, over the next 3 years the Medium Term Financial Strategy identifies savings of 17%, which is high even compared to other northern metropolitan authorities and savings are becoming increasingly challenging to deliver. The Medium Term Financial Strategy still has a cumulative funding gap of £32m by 2018/19 and some difficult choices will need to be made to balance the 2017/18 and 2018/19 budgets.

We updated the RAG rating for the 3 sub-criteria set out in the NAO guidance and the 10 underpinning characteristics of proper arrangements:

1. Informed decision making (green)
2. Sustainable resource deployment (green)
3. Working with partners and other third parties (green)

Accordingly, we are proposing an unmodified report on the Council's 2015/16 value for money conclusion.

02 Background and context

National Context

The Government's 2010 Spending Review, covering the period from 1 April 2011 to 31 March 2015, has led to significant reductions in public spending. In its 2014 report: Financial Sustainability of Local Authorities, the National Audit Office reflected on the 26% reduction (excluding funding for schools and benefit claimants) in the local government departmental spending limit in the first three years of the Spending Review. Changes in the funding formula have resulted in much greater cuts in metropolitan areas like Bradford than in more affluent, rural areas.

The 2015 spending review, Local Government Settlement and the Chancellor's Budget Statement in March 2016 indicate that austerity is likely to continue for several years. These funding reductions come at a time when demographic changes are increasing demand for services, especially social care. The result of the EU referendum has increased the uncertainty facing local government finances. The new Chancellor has indicated that there will not be an emergency budget and any adjustment to the strategy set out in the 2015 spending review will be made in autumn 2016.

We have found councils have generally responded well to this challenge and made adequate arrangements to ensure financial resilience, economy, efficiency and effectiveness. However, all single-tier councils are making tough budget decisions and finding it increasingly difficult to protect front-line services. In this context the risk of auditors giving an unsafe conclusion on arrangements to secure value for money is significantly increased.

Local context

The City of Bradford Metropolitan District Council delivered savings of £172m between 2011 and 2016, which represents 43% of the current annual budget. Although access to some services has been managed, the Council's 50 key performance indicators suggest these savings have been achieved without a negative impact on overall performance.

By 2022/23 the Council forecasts its spending will reduce by a further 29% (£109m) on top of the £46M savings in the 2016/17 budget. The 2016/17 budget is balanced but there remains a funding gap of £11m in 2017/18, rising to £32M in 2018/19.

We note that 40% of the population live within the 10% most deprived super output areas in the country, which is well above the average for metropolitan councils. The Council also has one of the country's youngest and most diverse populations with rapid population growth placing extra demand on services. Between 2001 and 2011 there was a 20% increase in the number of 0-4 year old children in Bradford.

Accordingly, whilst Bradford is not alone in facing significant challenges maintaining services in the face of further funding cuts and rising demand, the scale of the challenge is immense. The rest of this report assesses the risks associated with this challenge in respect of:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and third parties.

03 Informed decision making

Characteristics of proper arrangements

Characteristics of proper arrangements for these aspects are covered below, together with our assessment of the Council's arrangements:

Typical characteristics of proper arrangements	The arrangements for City of Bradford Metropolitan District Council	Audit RAG rating
Acting in the public interest, through demonstrating and applying the principles and values of sound governance.	• Quarterly finance and twice-yearly performance reports to Corporate Overview and Scrutiny and Executive. • Constitution on the website and subject to annual review and update. • 2015/16 Annual Governance Statement compliant with the CIPFA / SOLACE Delivering Good Governance Framework.	Green
Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management.	• No data quality issues in respect of financial and performance information we are aware of. • Frequent updates on the financial position covering at least 2 years between the annual updates of the 3 year Medium Term Financial Strategy. • Consistent data in financial reports. • Action plan prepared in response to June 2015 OFSTED report and implementation on track.	Green
Reliable and timely financial reporting that supports the delivery of strategic priorities.	• Regular and timely reporting to members. • Outturn has historically been reasonably close to projections in quarterly financial reports with small underspends carried forward to meet future pressures. • Track record of delivering planned savings and efficiencies in prior years with 87% achieved in 2015/16 and the shortfall fully compensated to leave a £0.8M underspend.	Green

Typical characteristics of proper arrangements	The arrangements for City of Bradford Metropolitan District Council	Audit RAG rating
Managing risks effectively and maintaining a sound system of internal control.	• Risk management strategy approved January 2016 and first of quarterly reports to Executive in March 2016. • Risk register reviewed throughout the year by the Corporate Management Team. • Annual governance statement prepared, reviewed and approved by members. • Regular reporting by Internal Audit on internal control.	Green

Section 151 Officer's Assessment

The Local Government Act 2003 requires the Council's Section 151 Officer (your Director of Finance) to report annually on:

- the adequacy of proposed reserves and
- the robustness of estimates used in setting the budget.

This self-assessment informs our assessment of informed decision making. The Director of Finance reported to Council on 25 February 2016 that un-earmarked reserves of at least the £13M budgeted in the Medium Term Financial Strategy are required to cover the known risks in his report. This is in addition to the £10.8m general fund balance held as a minimum contingency against unforeseeable events and reserves earmarked for specific purposes. The need for earmarked reserves is reviewed each June before the accounts are finalised.

Reserves are proving useful at delaying savings plans whilst consultation takes place but are no substitute for reducing the recurrent net cost base as the reserves can only be used once. The risks considered in assessing the minimum level of reserves are appropriate and the strategy for using and adding to reserves is clearly articulated. We welcome the implementation of our recommendation in our 2015 Value for Money report that reserves should not fall below the minimum level determined by the Section 151 Officer's risk assessment and the Section 151 Officer's statement that this level will increase if further recurrent cost reductions to bridge the remaining funding gap are not found.

The Section 151 Officer's report to Council on 25 February 2016 discusses several assumptions underpinning the estimates. These include:

- approved savings plans will be fully implemented including those that have been delayed whilst further consultation or impact assessment takes place such as the changes to transport entitlement;
- savings plans will typically have a 6-9 month lead time;
- slippage in the implementation of savings schemes will be similar to prior years;
- pressures that caused overspends in 2015/16 will continue;
- the 2% increase in council tax increase for adult social care is available to meet rising demand in this sector in addition to the 1.99% regular increase;
- slippage of the capital investment plan can be managed without risk to affordability;

- non-pay budgets have been increased by 1.5% for 2017/18 and 2% for 2018/19;
- pay inflation of 1% per annum for three years plus the costs of the living wage;
- an increase in income of 0.5%;
- a phasing out of RSG with the grant reducing to £34M by 2019/20; and
- a £3.6m contingency, similar to 2015/16.

These are appropriate factors to consider in budget setting and have been clearly reported. Appendix 1 of the Section 151 Officer's report sets out the risks associated with these assumptions and provides the basis of the assessment of the adequacy of reserves.

04 Sustainable Resource Deployment

Characteristics of proper arrangements

Characteristics of proper arrangements for these aspects are covered below, together with our assessment of the Council's arrangements:

Typical characteristics of proper arrangements	The arrangements for City of Bradford Metropolitan District Council	Audit RAG rating
Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.	• Financial and performance reports demonstrate a history of achieving cost reductions without adversely affecting services to date. 53% of PIs showed improvement in 15/16 over 14/15 and savings of £33M were achieved. • Balanced 2016/17 budget with detailed savings plans developed for 16/17 and 17/18. • A three year Medium Term Financial Plan which is comprehensive and identifies the funding gap in order to focus work to identify savings. • Funding gaps of £11M in 17/18 rising to £32M in 18/19 being bridged through outcome based budgeting with an Outcome Board for each directorate and proposals to December 2016 Executive. • First quarter 16/17 reports show greater under-delivery of savings than in prior years but still 85% overall achievement. The main shortfalls are within Adults and Communities (£2.6M) and Children's Services (£1.6M). However, partially compensating savings have been identified.	Green

	• The Council has reserves and contingencies to cover the under-delivery of savings.	
Managing and utilising assets effectively to support the delivery of strategic priorities.	• Asset register in place. • Asset management plan in place. • Significant savings in recent years from rationalising the estate to better fit the reduced size of the Council.	Green
Planning, organising and developing the workforce effectively to deliver strategic priorities.	• HR performance indicators such as sickness within the corporate indicator set reported twice yearly. • New HR Strategy focused on talent management and plugging skill gaps as the size of the Council continues to fall. • New training programme to equip staff for the challenges ahead.	Green

Performance Indicators

The 2015/16 Performance Outturn report was presented to the Executive on 19 July 2016. The report included the following:

- a corporate summary of performance;
- a detailed review of each of the 45 Corporate Indicator PIs;
- commentary for each PI where targets were missed by > 5% with remedial action clearly stated; and
- a description of plans to develop new indicators for 2016/17 reflecting the recently approved Council Plan.

Overall, an analysis of the 45 PIs suggests overall performance has been sustained, despite the significant reduction in costs since 2010, although the extent of improvement has reduced. In 2015/16:

- Two thirds of PIs were either on target, showed improvement over the prior year or both, which is only slightly down on the 70% in the previous year;
- Just over half of PIs showed some improvement in 2015/16, which was similar to 2014/15; and
- 40% of targets were achieved, compared to about 60% in the previous two years.

Following the abolition of the national indicator set, benchmarking performance with other metropolitan councils is more difficult. The Audit Commission's VFM Profile provides some comparison in areas such as educational attainment, employment and recycling rates. The Council is better than average in some areas (e.g. recycling rates, housing energy efficiency, preventing delayed discharge and issuing child protection plans.) but worse than average in others (e.g. educational attainment, employment and the speed of processing SEN statements). Where benchmarking suggests poor performance there is evidence of recent action to improve performance.

Financial indicators

The charts below show how Bradford compares with other authorities using seven financial health indicators. Five of the indicators have been published by PSAA within their VFM Profile tools and compare Bradford with all other metropolitan authorities. The other indicators (numbers 1 and 2 below) have been calculated by Mazars through analysis of the medium term financial plans of a range of other single tier authorities. This is a forward looking indicator, whereas the PSAA indicators use 2014/15 or 2013/14 data.

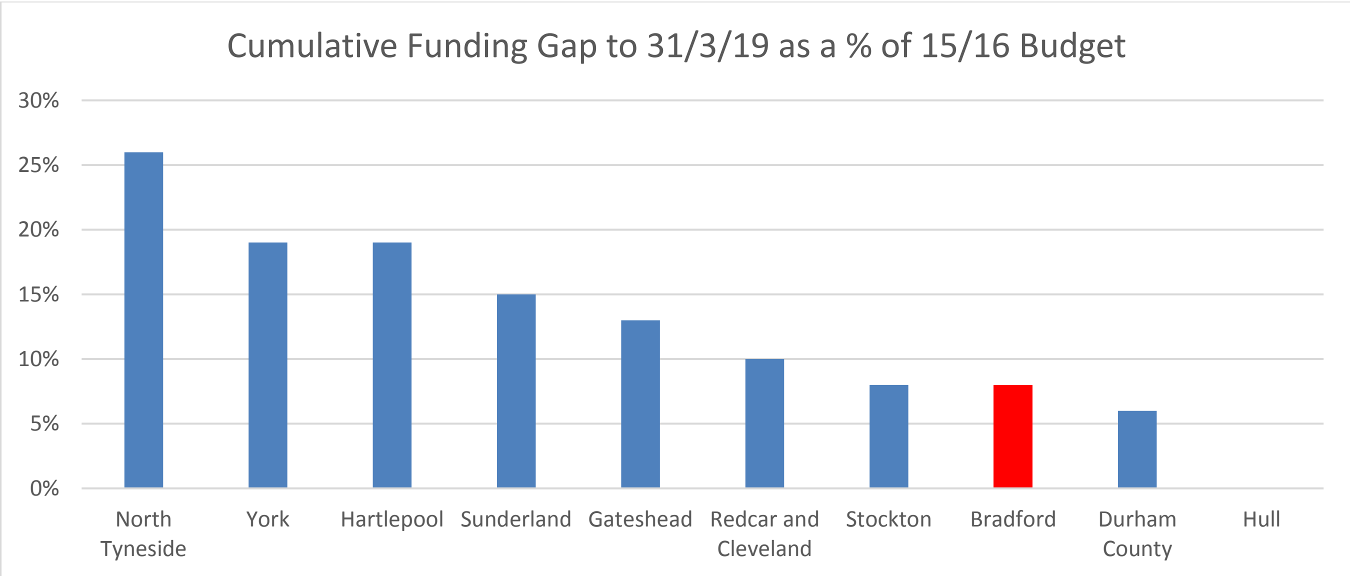
1. MTFP Funding gap (2016 to 2019) to 2015/16 Net Budget

Definition

This ratio shows the shortfall in budgeted resources against budgeted expenditure over the next 3 years identified in councils' medium term financial plans. Budgeted expenditure already reflects approved savings schemes. As not all medium term financial plans are published the comparison is against single tier authorities that we audit rather than all metropolitan councils. All councils balanced 2016/17 budgets. The larger the gap, the greater the further savings required.

Findings

The level of additional savings required as a proportion of the net budget is 8% compared to an average of 11%. Thus, although challenging the size of the budget gap is now below the average of the comparator authorities, in contrast to last year when it was above average, reflecting the Council's greater progress at identifying savings.



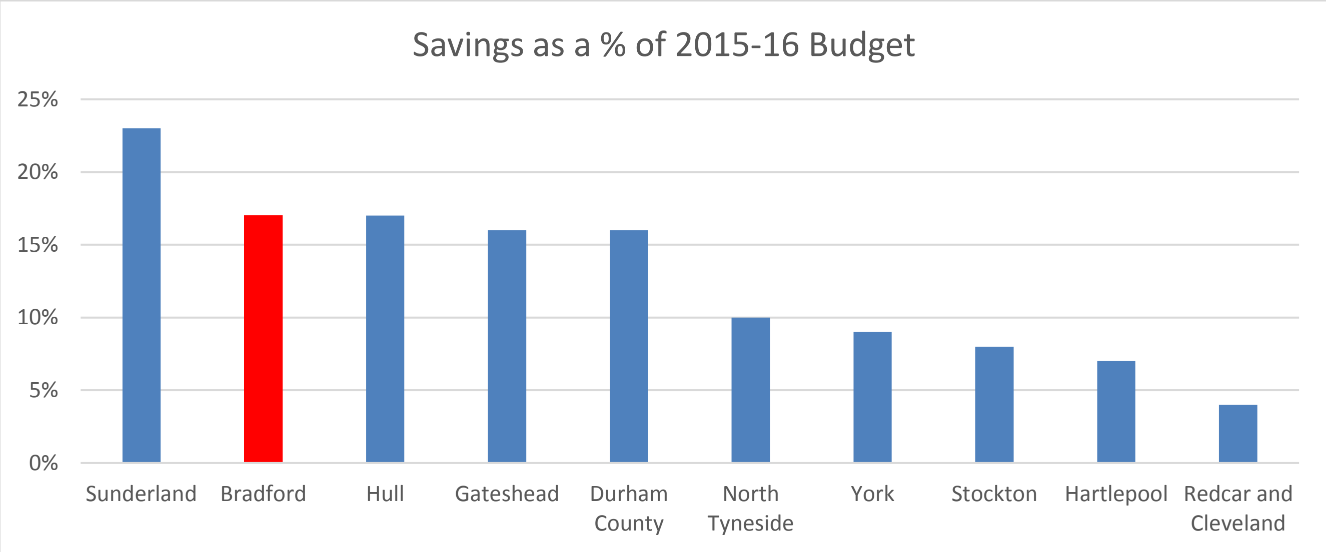
2. Savings approved (2016/17 to 2018/19) as a percentage of 2015/16 Net Budget

Definition

This ratio shows the cumulative savings approved and within the Medium Term Financial Plan for the next 3 years relative to the net budget.

Findings

The Council's savings plans represent 17% of the net budget, which is above the average of 13%. Taken together with the previous indicator it suggests that Bradford is facing similar challenges to other Northern Metropolitan councils but has a greater proportion of the required savings identified and approved.



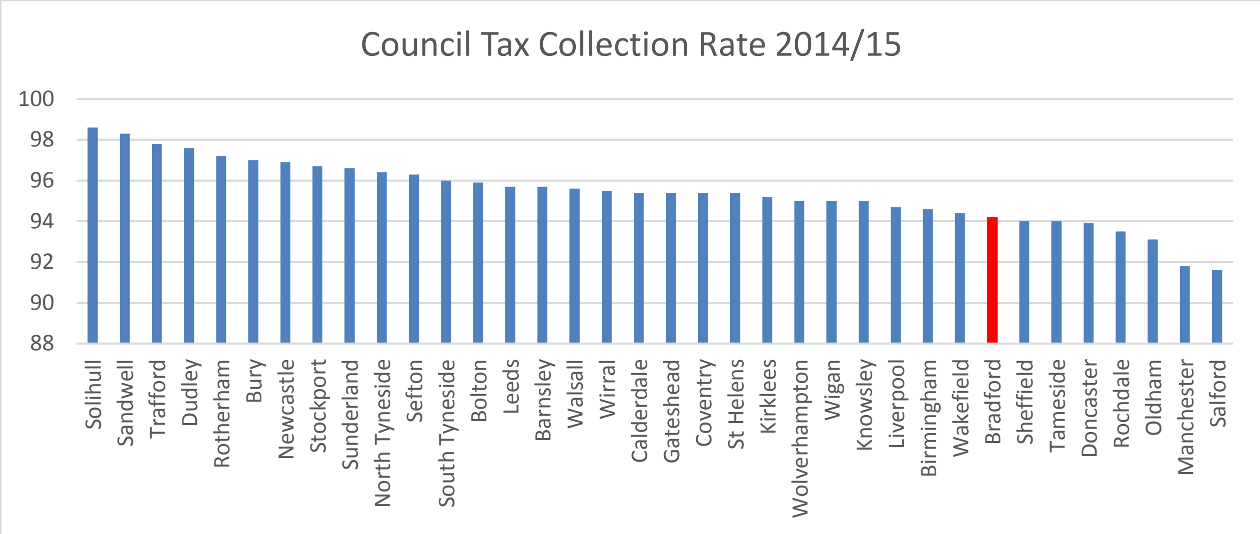
3. Council Tax Collection Rate

Definition

This shows the proportion of council tax collected within 2014/15, an indicator of council's cash flow and debt.

Findings

The Council's 2014/15 council tax collection rate is below average. However, the Audit Commission's Council Tax Collection Briefing 2013 found that there is a strong correlation with deprivation and demographics. Bradford is deprived (even compared to Mets) and its population is unusually young and the briefing suggests these are factors that could explain a small difference of about 1%. The briefing found pensioners are the best payers and Bradford has a relatively low proportion of pensioners.



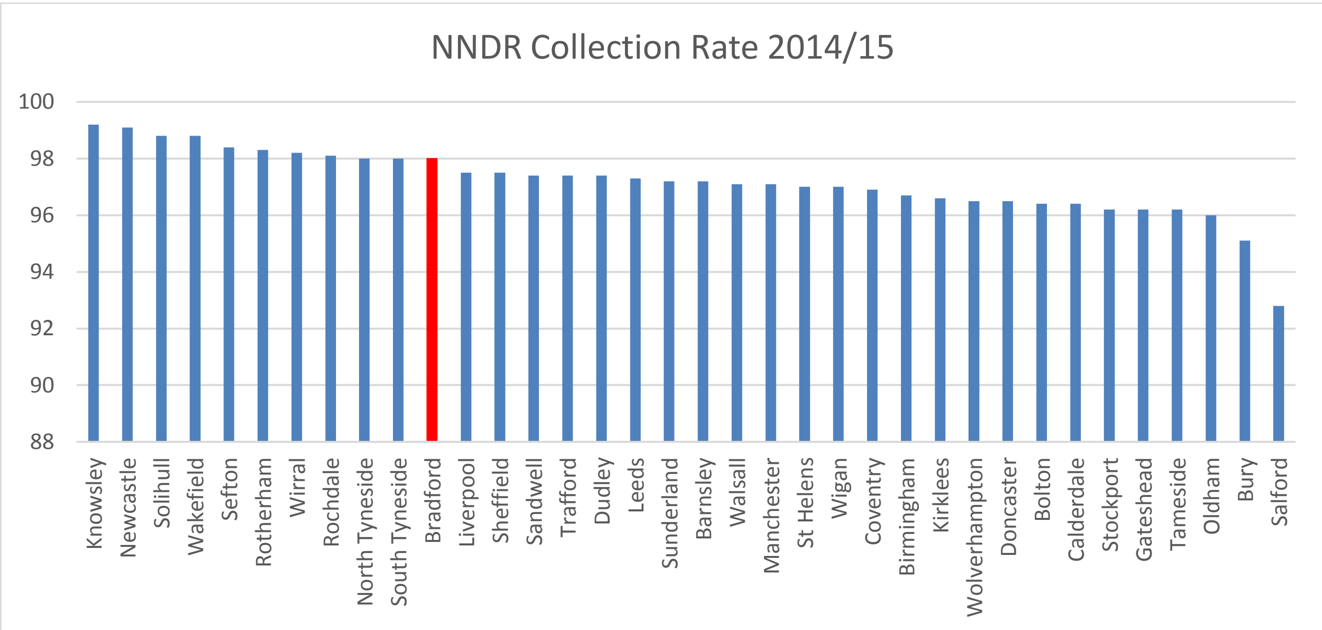
4. NDR Collection Rate

Definition

This shows the proportion of Non-Domestic Rates collected within 2014/15, another indicator of council's cash flow and debt.

Findings

The Council collected 98% of NDR due in 2014/15, which is above the average of 97.2% and the highest for 5 years.



MAZARS

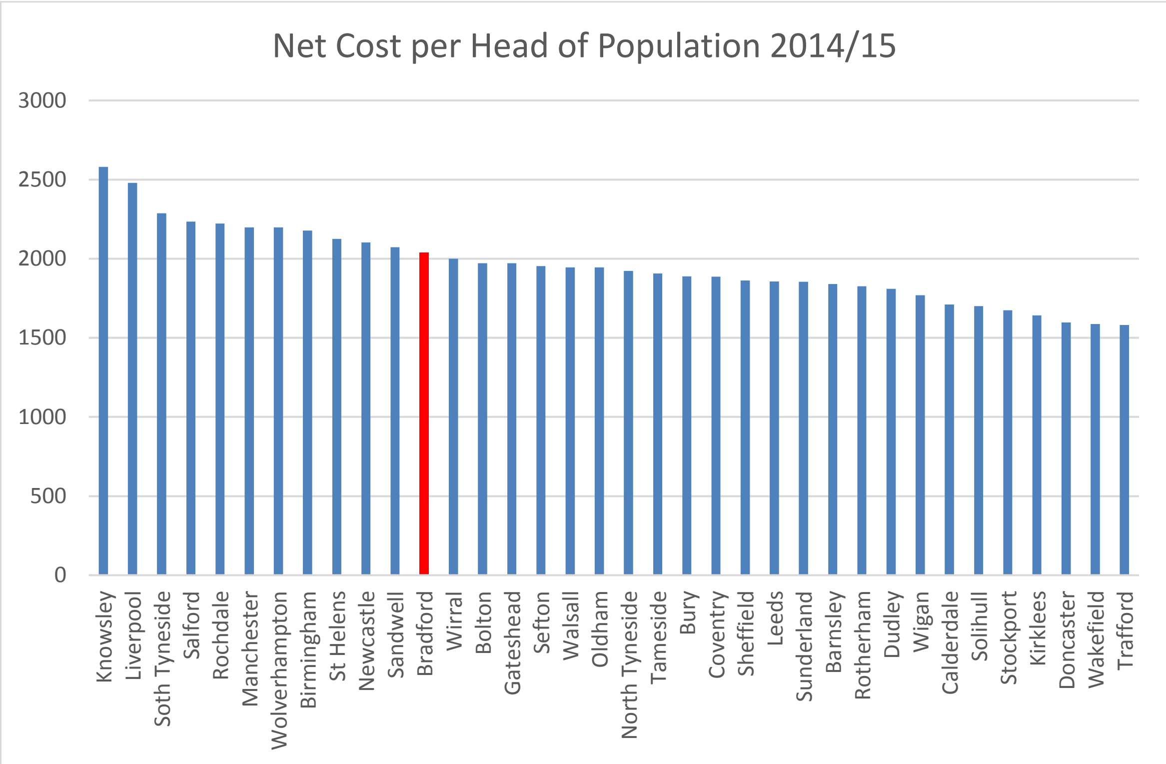
5. Net Cost per Head of Population

Definition

The net expenditure per head of population is primarily a value for money indicator, but it is also indicative of financial resilience as a lower cost per head ratio indicates a council's historic ability to control costs.

Findings

The Council's net cost per head is 3.7% above average but the numerator includes school expenditure, whereas the denominator is based on the entire population, a disadvantage to councils like Bradford with a relatively high school-aged population. There is also a correlation between cost per head and deprivation, which disadvantages Bradford.



MAZARS

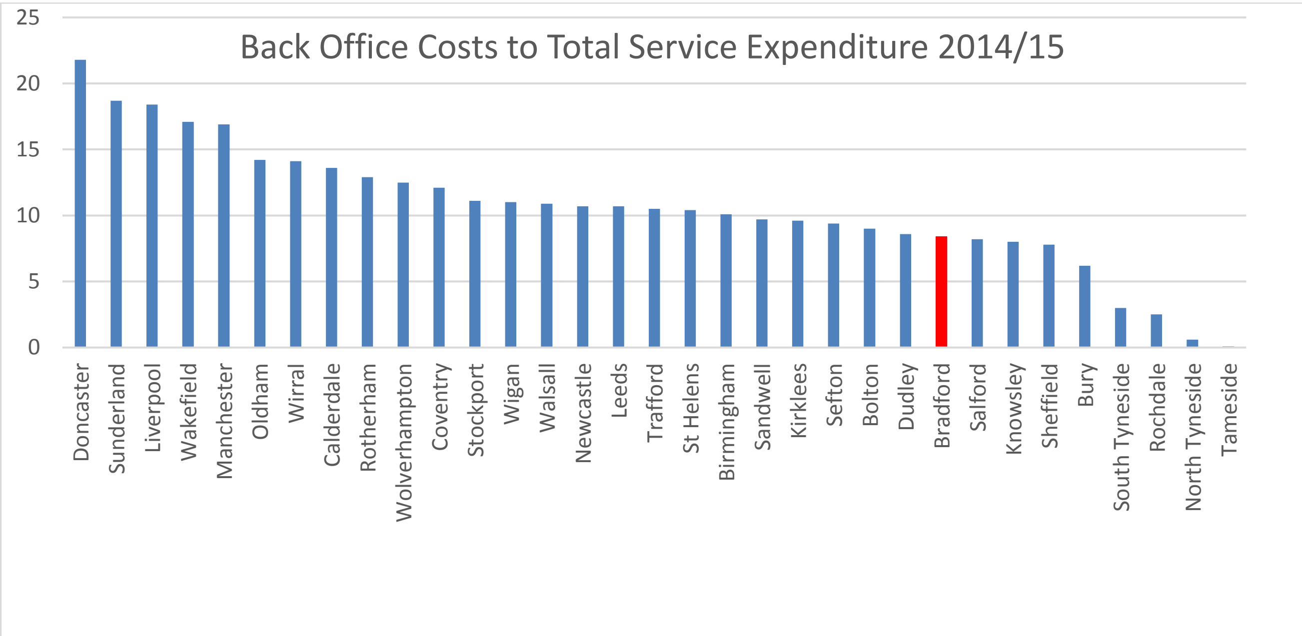
6. Back Office Costs to Total Service Expenditure

Definition

Back office costs (for example HR, IT and Finance) support front-line services and are a source of potential savings that may not impact on service users. Councils with a low ratio of back office to service costs have potentially been most successful at targeting savings, an indicator of financial resilience and value for money. However, such councils may find it harder to make the further savings required than councils that still have relatively high back office costs.

Findings

The Council's back office costs represent 8.4% of service expenditure, compared to an average of 10.6% suggesting savings have been targeted as intended to protect front line services but back office costs are not so low that capacity to implement change and deliver further reductions in back office costs might be limited.



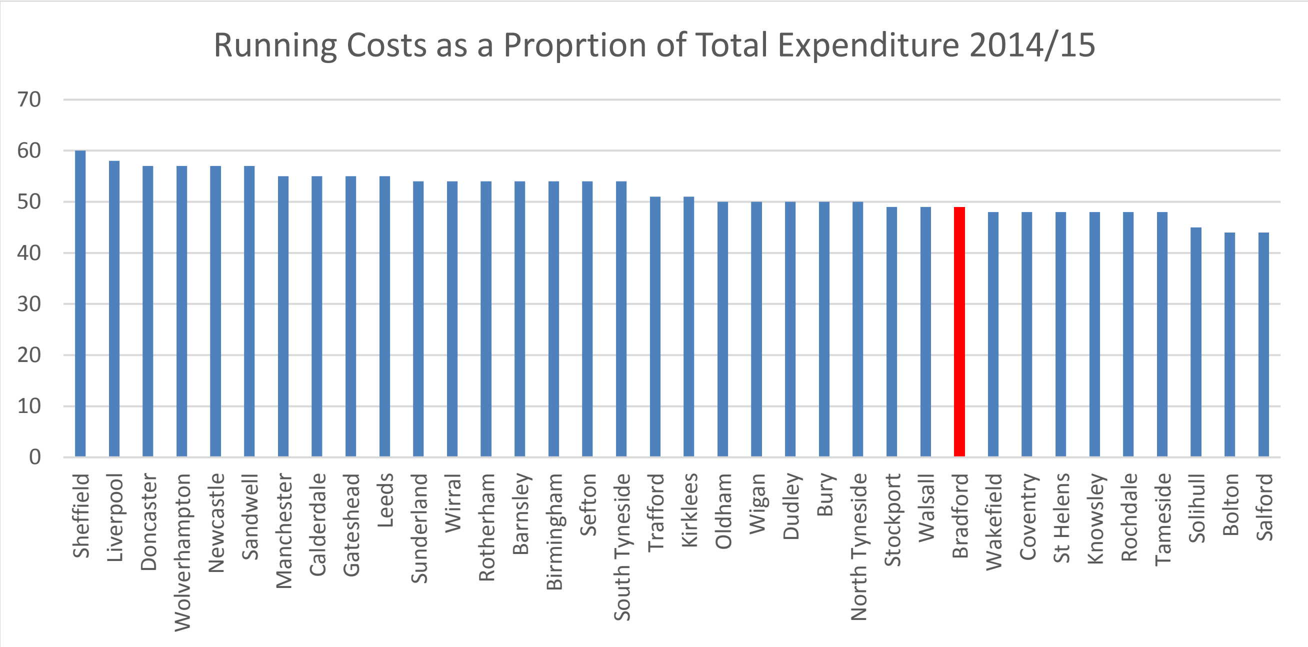
7. Running Costs as a Proportion of Total Expenditure

Definition

Running costs include premises, transport, supplies and services and third party payments. A low ratio of running costs to total expenditure may indicate successful targeting of savings to limit impact on front-line services, although a level too low may indicate less scope to continue making such savings or a reluctance to explore alternatives to in-house delivery of services.

Findings

The Council spends 49% on running costs, compared to an average of 52% so the ratio is neither unusually high nor low.



05 Working with Partners and Third Parties

Characteristics of proper arrangements

Characteristics of proper arrangements for these aspects are covered below, together with our assessment of the Council's arrangements:

Typical characteristics of proper arrangements	The arrangements for City of Bradford Metropolitan District Council	Audit RAG rating
Working with third parties effectively to deliver strategic priorities.	• Various policies and framework for partnership working established. • Better Care Fund plan being implemented with agreement for a pooled budget with CCGs. • OFSTED reported poor value for money in school improvement in June 2015. School improvement is a strategic priority. • Detailed RAG rated improvement plan prepared in response to OFSTED report which is subject to monitoring and scrutiny. • Action to improve educational attainment has included establishing an independently chaired Board, better risk analysis and targeting and closer working with academies.	Green
Commissioning services effectively to support the delivery of strategic priorities.	• Successful in reducing costs and savings proposals include working with partners. • Better Care Fund Plan being implemented.	Green
Procuring supplies and services effectively to support the delivery of strategic priorities.	• Use established national and regional procurement frameworks to maximise purchasing power. • Alternative delivery models already in place for some former Council services (e.g. libraries) and more planned or being researched. • Broadway (Westfield) shopping centre delivered.	Green

Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 30 September 2016.

L

Subject:

West Yorkshire Pension Fund Report and Accounts for the year ended 31 March 2016.

Summary statement:

This is the latest report on West Yorkshire Pension Fund financial activities and financial performance for the year 2015/16. At the end of the financial year the Fund value is £11,210m a net decrease of £108.22m (-0.96%), compared to £11,319.2m at the end of March 2014/15. This is the result of weak equity markets in 2015/16.

In 2015/16 our investment activities made a negative return on asset invested of -0.3%, this is below the Fund specific benchmark of -0.1%. The average for all local government fund is 0.2%, placing the Fund in the 53rd percentile for all local government pension funds. Our long-term performance continues to be good, having achieved the benchmark over three and five years, and extended it over ten years. WYPF is 96% funded based on our last actuarial valuation, this is one of the best funding levels within LGPS.

Based on the 2015/16 outturn, total average cost per member is estimated at £27.28 (pensions administration £16.64 and investments £10.64). Based on DCLG published figures for 2014/15 our cost was £28.30 (pensions administration £16.81 and investments £11.49), we expect our cost to compare favourably to other funds when figures are published later in the year. In terms of cost performance, we still expect WYPF to have the lowest total cost per member in LGPS.

Mr Rodney Barton
Director WYPF

Portfolio: Leader

Report Contact: Ola Ajala
Financial Controller WYPF
Phone: (01274) 434 534
E-mail: ola.ajala@bradford.gov.uk

Overview & Scrutiny Area: Corporate

2. BACKGROUND

2.1 The unaudited Reports and Accounts provides a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2016. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

2.2 The value of the Fund as at 31 March 2016 is £11,210.98m, a net decrease in value of £108.22m, percentage change of -0.96%. The table below gives the Fund asset value over the last six years including 2015/16:

Year	Net Asset	Increase (Decrease) on Previous Year	Increase (Decrease) on Previous Year
	£m	£m	%
31st March 2016	11,210.98	(108.22)	-0.96%
31st March 2015	11,319.20	950.40	9.17%
31st March 2014	10,368.80	428.50	4.31%
31st March 2013	9,940.30	1,155.89	13.16%
31st March 2012	8,784.41	134.11	1.55%
31st March 2011	8,650.30	710.80	8.95%

2.3 The reduction in net assets of £108.22m between 31 March 2015 and 31 March 2016 is the result of weak quoted stock markets in 2015/16. The net reduction in asset value is made up of net negative return on investment of £17.01m, as well as pensions contributions from employers and employees of £416.57m, being less than pension costs of £500.31m.

2.4 The negative return on investment of £17.01m is made up of net reduction in market value of investments of £331.15m and net investment income of £314.14m from dividends, interest, stock lending, and commissions less taxes on investment income.

2.5 The Fund had a positive net cash flow during 2015/16 of £222.9m comprising of net investment income of £314.14m less £83.74m net payments from dealing with members.

2.6 In 2015/16 we had a negative return on investments of -0.3%. This performance is below the return for our Fund specific benchmark of -0.1%. The -0.3% performance is below the average return for all local authority pension funds of 0.2%, placing the Fund in the 53rd percentile of all local authority funds. Our long-term performance continues to be good, the annualised returns for the medium and long term are provided below.

	WYPF	WYPF Benchmark	Rank	L.A Average
	% p.a.	% p.a.		% p.a.
3 Years	5.3	5.3	81	6.4
5 Years	6.3	6.3	80	7.1
10 Years	5.8	5.5	30	5.6

2.7 During 2015/16 our active membership increased by 3,379 (3.5%) from 97,548 to 100,927. Total membership rose by 10,171 (3.8%) from 268,780 to 278,951.

2.8 During 2015/16 employer numbers increased from 401 to 404, an increase of 1.8%.

2.9 The table below shows our performance on the top 10 key work areas, this reflects the commitment of officers, managers, employers and our shared services partners in delivering services to all our clients.

WORK TYPE	TOTAL CASES	TARGET DAYS	TARGET MET CASES	KPI TARGET	ACTUAL KPI
1. Payment of pensions (pensioners + beneficiaries)	1,279,044	Due days	1,279,044	100%	100%
2. Death in Service – Payment of Death Grant	773	5	762	85%	99%
3. Refund Payment	1,499	10	1,488	85%	99%
4. Transfer Out Payment	345	35	329	85%	95%
5. Pension Estimate	9,571	10	7,025	85%	73%
6. Retirement Actual	3,544	3	3,398	85%	96%
7. Deferred Benefits Into Payment	2,593	5	2,461	85%	95%
8. Death Grant Single Payment	773	5	762	85%	99%
9. Life Certificate Received	4,904	20	4,813	85%	98%
10. Death Notification	3,478	5	3,361	85%	97%

2.10 Based on the 2015/16 outturn, total average cost per member is estimated at £27.28 (pensions administration £16.64 and investments £10.64). Based on DCLG published figures for 2014/15 our cost was £28.30 (pensions administration £16.81 and investments £11.49), we expect our cost to compare favourably to other funds when figures are published later in the year. In terms of cost performance, we still expect WYPF to have the lowest total cost per member in LGPS.

3. OTHER CONSIDERATIONS

This is the latest update on the Report and Accounts for West Yorkshire Pension Fund 2015/16. The Report and Accounts for 2015/16 is currently being audited by Mazars LLP. Mazars LLP officers will be attending this meeting to report on the audit. Once final audit is completed the audited Report and Accounts will be published on WYPF website:

http://www.wypf.org.uk/Member/Publications/ReportAndAccounts/WYPF/ReportAndAccounts_WYPF_Index.aspx

4. RECOMMENDATION:

The 2015/16 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee.

5. APPENDICES

Appendix 1

WEST YORKSHIRE PENSION FUND –
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

WEST YORKSHIRE PENSION FUND

ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

PENSION SCHEMES REGISTRY NUMBER 10041078

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2016

CONTENTS Page

SECTION 1 – FOREWORD

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31 March 2016 we had 278,951 members and 404 employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield.

Although the value of the Fund fell from £11.32 billion to £11.21 billion over the year, a decrease of £0.11 billion, the Fund remains one of the best funded within the local government pension scheme. Most of this decrease was a result of weak public equity markets, mitigated by good performance from alternative investments, particularly private equity. The Investment Advisory Panel reviews the asset allocation quarterly, and makes adjustments against the benchmark based on future expected returns.

With effect from 1 April 2015 WYPF began administering the Lincolnshire Pension Fund (LPF) under a joint service agreement. After some early issues with the quality of data transferred from the private sector contractor, the project went well, and the cost savings for both WYPF and LPF are being delivered to plan. We have continued to develop our systems, train staff, both in Bradford and Lincoln, and improve the support and service to employers. The monthly web-based return for employers has been successfully extended to include all the LPF employers. This will improve the quality of data required for the actuarial valuation at 31 March 2016, and enable us to deliver the data to the actuary earlier than has been possible previously. In addition, we began delivering services to Berkshire and Buckinghamshire Fire and Rescue Authorities from 1 April 2016.

In the July Budget 2015, the Chancellor announced the Government's intention to work with the Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs while maintaining overall investment performance. On 25 November the Investment Reform Criteria and Guidance was issued, which sets out the criteria to be applied to the pooling of LGPS assets. Authorities were invited to submit their initial proposals for pooling by 19 February 2016. WYPF, having agreed to pool with Greater Manchester and Merseyside, duly submitted its proposals by the deadline. The submission and the Minister's response are on the WYPF website. This is going to make a considerable difference to the way investments are managed in the future.

On behalf of the Joint Advisory Group and the Investment Advisory Panel I would like to thank all the staff who continue to ensure WYPF is at the forefront of changes and developments, and ensure it continues to be very well run.

I hope you enjoy reading the Annual Report and Accounts, and find them useful and informative.

Councillor Andrew Thornton
Chairman,
Joint Advisory Group and Investment Advisory Panel

SECTION 2- MANAGEMENT STRUCTURE

Members of the WYPF Joint Advisory Group

Bradford Council

Councillor A Thornton Chairman	Councillor G Miller Deputy Chair	Councillor S Lal

Calderdale Council

Councillor B Metcalfe	Councillor S Baines MBE	Councillor J Lynn

Kirklees Council

Councillor E Firth	Councillor N Mather	Councillor H Richards

Leeds Council

Councillor P Davey	Councillor P Harrand	Councillor N Dawson

Wakefield Council

Councillor D Jones	Councillor J Speight	Councillor R Forster

Trades Union Representatives

I Greenwood OBE – UNISON
Tristan Chard – GMB
Liz Bailey – UNISON

Scheme Member Representatives

Kenneth Sutcliffe
Wendy Robinson

West Yorkshire Council Representative

Stuart McKinnon-Evans
Director of Finance– BMDC

Members of the WYPF Local Pension Board

Employer Representatives

Councillor M Slater Chairman	Councillor K Groves	John Morrison

Member Representatives

Gary Nesbitt – GMB	Colin Sykes -Unison	Mark Morris - Unite
Mick Binks - Unison		

SECTION 2- MANAGEMENT STRUCTURE

Members of the WYPF Investment Advisory Panel

Bradford Council

Councillor A Thornton
Chairman

Councillor G Miller

Calderdale Council

Councillor B Metcalfe

Councillor S Baines MBE

Kirklees Council

Councillor E Firth

Councillor H Richards

Leeds Council

Councillor P Davey

Councillor P Harrand

Wakefield Council

Councillor G Stokes

Councillor L Shaw

Trades Union Representatives

I Greenwood OBE – UNISON
(Deputy Chairman)

Tristan Chard – GMB
Liz Bailey – UNISON

West Yorkshire Council Representative

Doug Meeson -

Director of Resources and City Development - Leeds City Council

West Yorkshire Pension Fund

Rodney Barton -Director

External Advisors

Noel Mills
Mark Stevens

Scheme Member Representatives

Stuart Imeson
Gerald Hey

SECTION 2- MANAGEMENT STRUCTURE

Appointed service providers and advisers

Actuarial Services	Aon Hewitt 25 Marsh Street Bristol BS1 4AQ
AVC Providers	Equitable Life Assurance Society P O Box 177 Walton Street Aylesbury, Buckinghamshire HP21 7YH
	Scottish Widows P O Box 902 15 Dalkeith Road Edinburgh EH16 5BU
	Prudential Lancing BN15 8GB
Appointed Persons for Stage 1 Internal Dispute Resolution Procedure (IDRP)	Rodney Barton, Director WYPF City of Bradford Metropolitan District Council WYPF Ground Floor, Aldermanbury House, 4 Godwin Street, Bradford BD1 2ST
Appointed Persons for Stage 2 Internal Dispute Resolution Procedure (IDRP)	Kersten England Chief Executive City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY

SECTION 2- MANAGEMENT STRUCTURE

Appointed service providers and advisers (continued)

IDRP Medical Adviser	Santia Occupational Health Santia House Parc Nantgarw, Cardiff CF15 7QX
Auditors	Mazars LLP Gelderd Road Gildersome Leeds LS27 7JN
Banking and Custodial Services	HSBC 8 Canada Square, Canary Wharf London E14 5HQ
Legal Adviser	Dermot Pearson Acting City Solicitor City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY
Pensions Computer Services	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD

SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT

West Yorkshire Pension Fund Pension Board Annual Report

Foreword

West Yorkshire Pension Fund's Pension Board was established in April 2015 to fulfil the requirement of the Pension Act 2013. During this first year the Board met three times and Pension Board members attended a number of training events held internally and externally to West Yorkshire Pension Fund on issues relating to local government pension schemes and specific issues relating to West Yorkshire Pension Fund.

The West Yorkshire Pension Fund Local Pension Board members have had a lot to learn during this first year, however the hard work undertaken to establish and train the board will enable the board to assist City of Bradford MDC in ensuring the effective and efficient governance of the West Yorkshire Pension Fund. The Pension Board was set up in such a way to ensure knowledge and understanding of the Pension Board is maintained by appointing half of the Board for two years instead of the usual four years. This will ensure new members of the Board will have access to a wealth of knowledge from the experienced Board members.

We have had a busy first twelve months, as can be seen from the report, and as there are a number of significant issues effecting the Local Government Pension Scheme on the horizon I expect the work of the board to be busy for the next 12 months.

Councillor Malcolm Slater
Chair of WYPF Pension Board

SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT

Pension Boards

Overview of WYPF Pension Board

In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013, West Yorkshire Pension Fund Pension Board was established on 1st April 2015. The Act requires each administering authority to set up a pension board to assist the council in ensuring effective and efficient governance and administration of the LGPS. The pension board is separate from the WYPF Investment Advisory Panel and Joint Advisory group.

Our pension board compromises of four member representatives and four employer representatives and will meet every six months. The first meeting of the West Yorkshire Pension Fund pension board took place on 8 October.

The Terms of Reference of the Pension Board were formally agreed by the Council on 20 March 2015.

The West Yorkshire Pension Fund Pension Board comprises of eight representatives. There are four member representatives from the Trade Unions (two from Unison, and one each from Unite and GMB) and four employer representatives (one Councillor from Bradford Council who will act as Chair, two other councillors from the other district Councils and one employer representative nominated from all employers in the Fund, with exception of the five large council employers – Bradford, Calderdale, Leeds, Kirklees and Wakefield). These representatives are on the Board to represent both the members of the fund and the employers whose members participate in the Fund. Details of the representatives can be found on page 2.

The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

During the year three meetings were held. Items considered at the first meeting included the adoption of the Terms of Reference by the Board, Conflicts of Interest Policy, Knowledge and Understanding framework and Reporting Breaches Procedure. These documents are provided in Appendix H, J and K.

Subsequent meetings have included a review of the Management of Unquoted Investments, West Yorkshire Pension Fund Report and Accounts, West Yorkshire Pension Fund consultation responses on revoking and replacing the Local Government Pension scheme (Management and Investment of Funds) Regulations 2009 and the Government's criteria and guidance for investment reform (pooling), Five year internal audit plan 2015 to 2020, West Yorkshire Pension Fund Guaranteed Minimum Pension

Reconciliation exercise, and Investment Advisory Panel and Joint Advisory Group minutes and decisions. Minutes of all the Pension Board meetings can be found at:
https://bradfordintranet.moderngov.co.uk/ieListMeetings.aspx?CId=286&Year=0

Pension Board member training

In accordance with the Pensions Act 2004, every individual who is a member of a Pension Board must be conversant with the rules of the Local Government Pension Scheme (LGPS), in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.

Board Members should also have knowledge and understanding of the law relating to pensions and such other matters as may be prescribed.

Board Members have been very active in undertaking training activities. In the past 12 months Members have attended training events such as:

- Local Government Association – Fundamentals training
- Pension Board Members Training – Aon and Evershed
- Local Government Association – Training for Local Pension Board Members
- Actuarial Valuation and Funding Strategy training – Aon

All new members of the Pension Board are encouraged to attend a three-day LGA Trustee Training - Fundamentals course and complete the Pension Regulators toolkit. These provide a basic introduction to the LGPS investment management and governance.

Records of Pension Board members training are kept to demonstrate their knowledge and understanding and also identify areas for development.

SECTION 4 – PENSIONS ADMINISTRATION REVIEW

Overview and legal status of West Yorkshire Pension Fund

West Yorkshire Pension Fund (WYPF) is part of the Local Government Pension Scheme (LGPS). The LGPS is a statutory scheme and benefits are paid under the provisions of the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and other applicable legislation. The government issues a number of administrative local government pension scheme directives and regulations through the Department for Communities and Local Government, as such these directives and regulations have the force of law.

Administering Authority

City of Bradford Metropolitan District Council is the administering authority for WYPF. Bradford Council's administering authority responsibilities are met by WYPF's in-house pensions administration and investment teams. WYPF's Pension Schemes Registration number with HMRC is 10041078. Contributing members of the Scheme are contracted out of the State Second Pension, however there is a regulatory change to this status, because the second state pension has been abolished by the Pensions Act 2014 and replaced by a single-tier state pension from 6 April 2016. This change means that contracted out status ceased on the 5 April 2016. The result of this is that employers and members will pay the full Class 1 National Insurance Contributions (NICs) and members will benefit from the single-tier state pension.

HMRC Registration

HM Revenue and Customs (HMRC) has granted the scheme 'exempt approval' for the purposes of the Income and Corporation Taxes Act 1988. The scheme became a Registered Pension Scheme under Part 4 of Chapter 2 of the Finance Act 2004 with effect from 6 April 2006.

Key activities during the year

Office move

The fund made its first direct investment into property by purchasing Aldermanbury House an extensive five storey office building in the centre of Bradford. This provides an investment opportunity and the opportunity to relocate West Yorkshire Pension Fund in-house investment and administration teams to a modern building, resulting in increased efficiency and improved pension services. West Yorkshire Pension Fund occupies the ground floor, the other four floors are let out to commercial tenants.

Annual meetings

WYPF held its 2015 annual meeting for scheme members at the Cedar Court Hotel in Wakefield on 6th November. The guest speaker for the meeting was Chris Joyce from West Yorkshire Police Authority.

The meeting was chaired by Councillor Andrew Thornton, The Chairman of WYPF's Investment Panel and Joint Advisory Group. There were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment advisers Noel Mills and Mark Stevens. Our employers' annual meeting was held in Bradford on 5 November. Topics covered were:

- 2014 pension fund valuation
- Financial planning
- Updates on WYPF investments, and the general economic and financial market climate.

The presentations were well received by those present.

Employer workshops

During the year WYPF continued to run a series of free one-day and half-day workshop sessions for employers. Four different types of workshops were provided for employers:

Introduction to West Yorkshire Pension Fund (full day)
Complete guide to administration (half day)
Your Responsibilities (half day)
Contributions and Year-End Data Return (half day)

These workshops are informative and continue to attract interest from employers. The workshops were delivered by WYPF staff and are designed to give employers a good understanding of the pension scheme. Feedback from participants on these events continued to be very positive.

Planning for a positive retirement workshop

In conjunction with Affinity Connect, a retirement specialist, WYPF launched a new service to support and guide members who are considering what retirement might mean for them.

The new service is a workshop that raises awareness of the key issues to consider and the decisions that members need to make as they approach this stage in their life. It is especially useful for members thinking of retiring in the next couple of years, but valuable even if they're not yet sure when they want to retire.

Pension administration and cost

As in previous years, the workload of the pension administration section continued to increase, members numbers continue to rise despite the reductions in public service budgets. Research shows that the increase in numbers is largely due to auto enrolment of employees in to pension funds.

WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000. Our quality management systems ensure that we are providing the best possible service to customers, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF pensions administration cost per member for the financial year 2014/15 is £16.81, this is the 10th lowest cost amongst 89 LGPS funds and well below national average of £25.19. Our total cost of pension management cost (administration and investment management costs) is £28.30. This is the lowest cost within LGPS funds.

Shared Service

In April 2015 WYPF took on the administration of the Lincolnshire local government pension scheme in a shared-service arrangement. WYPF was selected through a competitive tender from several organisations to provide shared-service pension administration and payroll service for members of the Lincolnshire local government and fire-fighter's pension schemes. The agreement will run for five years, after which it will be reviewed.

Our shared service is growing steadily, in December 2015 WYPF was selected by the Royal Borough of Berkshire Fire Authority and Buckinghamshire and Milton Keynes Fire Authority to provide third party pension administration and payroll services. The contract went live on 1 April 2016.

Communications

Our contact centre continues to be a popular way for members to communicate with us about their pensions. Over 99% of annual benefit statements were issued to active members in 2015. We achieved 92% by the new stricter regulatory deadline of 31 August 2015. Many pension schemes found this deadline very challenging, particularly with it being the first year of the new CARE scheme. 100% of deferred benefits statements were issued to deferred members by 31 May 2015, three months before the 31 August 2015 deadline.

In addition to issuing annual benefit statements we send pension newsletters to all members twice a year. This keeps our members informed of important pensions news.

Pension Age Awards

WYPF won the 'Best use of IT and Technology' award at this year's Professional Pensions Pension Scheme of the Year awards.

In addition, WYPF was shortlisted by Pensions Age for the following awards:

- DB Scheme of the Year
- Pension Scheme Communication Award
- Pension Administration Award
- Pension Scheme Innovation award

Staff training and development

WYPF provides a comprehensive training programme for all its staff and encourage staff to work towards professional qualifications such as:

- Institute of Payroll Professionals (IPP) foundation degree in Pensions Administration and Management
- Pensions Management Institute qualification (APMI)
- Certificate in Pensions Administration (CPA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)

In addition staff members attended a variety of useful events during the year, including:

- National Association of Pension Fund (NAPF) Local Authority Conference
- Pension Managers Conference

- Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Network events
- Eversheds Conference
- Mercers LGPS Summit Conference

Training activities are provided to staff on IT, data security, health and safety and customer care. A comprehensive system of e-learning and self-services are available to support staff with their training and development.

Disaster recovery and risk management monitoring

WYPF use a disaster recovery (DR) datacentre, which is located separately from Bradford Council's primary datacentre. Our DR hosts standby servers, storage and network connectivity. WYPF's primary datacentre is linked to the DR datacentre by fibre optic cables. Both datacentres are live on the Council's network. The DR provides service resilience and service continuity in case of primary system failure. All our main network, email services and software applications infrastructure are duplicated over the Primary Datacentre and the DR Datacentre sites, to ensure all data and systems are fully backed up.

In the event of WYPF office accommodation becoming unavailable staff will be relocated to other council offices or work remotely. The Council has a comprehensive disaster recovery plan for its services.

New LGPS 2014

The new LGPS career average scheme came into effect at 1 April 2014. The basis of the pension scheme has changed from a final salary scheme to a career average scheme, whereby members build a pension each year which is credited to their pension account. However, benefits accrued under the old schemes are preserved and there are transitional arrangements for those that were 55 years or over at 1 April 2014.

Each year active members' pension accounts are adjusted in line with Public Services Pension Revaluation Orders. The Public Service Pensions Revaluation (Prices) Order 2016 was laid before Parliament on 24 March 2016, came into force 1 April 2016 and provides for a reduction of 0.1% to members' accrued pensions accounts.

LGPS Consultations

At the July Budget, the Chancellor of the Exchequer announced the Government's intention to invite administering authorities to bring forward plans for pooling for LGPS investments. Following this announcement on 25 November 2015 a consultation commenced on revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. The consultation consist of two main proposals:

1. A package of reforms that propose to remove the existing prescribed method of securing a diversified investment strategy, and instead place the onus on authorities to determine the balance of their investment and take account of risk.

2. The introduction of safeguards to ensure that the flexible legislation proposed is used appropriately and the guidance on pooling assets is adhered to.

SECTION 4 – PENSIONS ADMINISTRATION REVIEW

At the same time Investment Reform Criteria and Guidance was issued. Authorities were asked to submit their initial proposal taking account of the following criteria:

A. Asset pool(s) that achieve the benefits of scale
B. Strong governance and decision making
C. Reduced costs and excellent value for money
D. An improved capacity to invest in infrastructure

In response to the request to submit initial proposals for pooling of assets, on 19 February 2015 WYPF submitted a joint submission with Tameside Metropolitan Borough Council (Greater Manchester Pension Fund) and Wirral Metropolitan Borough Council (Merseyside Pension Fund). This outlines how the Funds will work together to form a Collective Asset Pool and the expected operation of the pool when established.

WYPF also responded separately on the consultation on revoking and replacing the LGPS (Management and Investment of Funds) Regulations 2009. Copies of the consultation and WYPF's responses can be found at:

http://www.wypf.org.uk/Member/Consultation/ConsultationHome.aspx

Refined and completed submissions on pooling of assets are expected to be submitted to DCLG by 15 July 2016 and will need to fully address the criteria above and provide any further information that would be helpful in evaluating the proposals.

Club together

Our partnership with Club Together continues to flourish bringing benefits both to pensioners and WYPF. Club Together is essentially a magazine that includes interesting articles for those of retiring age. Club Together also offers members and their families a range of discounts, offers, competitions, savings, and even earning opportunities

Social media

WYPF's Facebook and Twitter accounts managed to encourage members of all ages to engage with the Fund.

Twitter www.twitter.com/wypf_lgps

Facebook www.facebook.com/westyorkshirepensionfund

Financial Performance - analytical review

The following tables identifies movements in the Fund Account based on expenditure between 31 March 2015 and 31 March 2016 and provides reasons for variances. The full financial statements are within the Accounts section of this document (page 70).

Statutory Accounts Financial Performance – table A

	31-Mar 2016	31-Mar 2015 Restated	Variance	Notes on significant variances
	£000	**£000**	**£000**	
Dealings with members, employers and others directly involved in the Fund				
Contributions receivable	372,724	368,058	4,666	Increased contributions due to increased number of members and employers
Transfers in	20,371	15,670	4,701	Increased number of new members transferring their existing pensions to WYPF
Other income	0	0	0	
Non-statutory pensions and pensions increases recharged	23,475	23,833	-358	Reduction in the value of unfunded pension recharges to employers
	416,570	**407,561**	**9,009**	
Benefits payable	-456,101	-437,058	-19,043	
Non-statutory pensions and pensions increase	-23,475	-23,833	358	Payment of unfunded pensions recharged to employers
Payments to and on account of leavers	-20,733	-181,468	160,735	In 2014/15 West Yorkshire Pension Fund made a bulk transfer of liabilities to Greater Manchester Pension Fund relating to the Probation Service which accounts for the majority of this change.
	-500,309	**-642,359**	**142,050**	
Management expenses	**-7,499**	**-7,278**	**-221**	Invest to save activities and pension system improvements

Statutory Accounts Financial Performance – table B

	31 Mar 2016	31 Mar 2015 Restated	Variance	Notes on significant variances
	£000	£000	£000	
Returns on investments				
Investment income	314,619	294,110	20,509	Increased cash flow mainly from private equities
Taxes on income	-3,538	-165	-3,373	The increase in taxes on income in 2015/16 is due to increased withholding taxes on dividends of £1m and also a reduction of historical withholding taxes repaid by overseas countries.
Profit and loss on disposal of and changes in value of investments	-331,145	896,453	-1,227,598	Reduction in market value due to weak equity markets at the end of 2015/16 year.
Stock lending	3,008	2,094	914	Increased stock lend activities
Underwriting commission	49	0	49	Commissions generated from new stock placement underwriting opportunities.
Net return on investments	**-17,007**	**1,192,492**	**-1,209,499**	
Net (-) decrease / (+) increase in the net assets available for benefits during the year	**-108,245**	**950,416**		
Opening net assets of the Fund	**11,319,225**	**10,368,809**		
Closing Net assets of the Fund	**11,210,980**	**11,319,225**	**-108,245**	Most of this decrease was a result of weak public equity markets.

Five years forecasts

The table below shows provides a five year budget estimates and 2015/16 outturn figures for the Fund account.

Fund Account - Estimates & Actuals	2018/19 ESTIMATE	2017/18 ESTIMATE	2016/17 ESTIMATE	2015/16 ESTIMATE	2015/16 OUTTURN	2014/15 ESTIMATE	2014/15 OUTTURN
		£000	£000	£000	£000	£000	£000
Dealings with members, employers and others directly involved in the Fund							
Contributions receivable	381,000	378,000	375,000	372,100	372,724	361,000	368,058
Transfers in	16,000	16,000	16,000	15,800	20,371	20,000	15,670
Other income	0	0	0	0	0	0	0
Non-statutory pensions and pensions increases recharged	22,000	22,500	23,000	24,100	23,475	23,800	23,833
Total income from members and employers	**419,000**	**416,500**	**414,000**	**412,000**	**416,570**	**404,800**	**407,561**
Benefits payable	-515,000	-495,000	-475,000	-441,900	-456,101	-435,000	-437,058
Non-statutory pensions and pensions increase	-22,000	-22,500	-23,000	-24,100	-23,475	-24,000	-23,833
Payments to and on account of leavers	-20,500	-20,500	-20,500	-14,352	-20,733	-170,000	-181,468
Total payments to members	**-557,500**	**-538,000**	**-518,500**	**-480,352**	**-500,309**	**-629,000**	**-642,359**
Management expenses	**-8,304**	**-8,125**	**-8,230**	**-7,443**	**-7,499**	**-7,500**	**-7,278**
Returns on investments							
Investment income	365,000	345,000	325,000	293,100	314,619	290,000	294,110
Taxes on income	-3,600	-3,500	-3,000	-200	-3,538	-2,000	-165
Profit and losses on disposal of and changes in value of investments	261,000	261,000	261,000	902,900	-331,145	700,000	896,453
Stock lending	3,000	3,000	3,000	2,100	3,008	1,500	2,094
Underwriting commission	0	0	0	0	49	0	0
Net return on investments	**625,400**	**605,500**	**586,000**	**1,197,900**	**-17,007**	**989,500**	**1,192,492**
Net increase in the net assets available for benefits during the year	**478,596**	**475,875**	**473,270**	**1,122,105**	**-108,245**	**757,800**	**950,416**
Opening net assets of the Fund	**12,160,125**	**11,684,250**	**11,210,980**	**10,368,809**	**11,319,225**	**10,368,809**	**10,368,809**
Closing Net assets of the Fund	**12,638,721**	**12,160,125**	**11,684,250**	**11,490,267**	**11,210,980**	**11,126,609**	**11,319,225**
% INCREASE IN NET ASSETS	**3.94%**	**4.07%**	**4.22%**	**10.82%**	**-0.96%**	**7.31%**	**9.17%**

Estimates are based on straight line projection of outturn figures in previous years, adjusted for the Fund operational activities, with the exception of management expenses which is based on current costs of operational activities and our business plans.

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Management expenses forecast and outturn report

The table below gives the management cost forecast 2016/ 17 to 2018/19 and outturn figures for the year ending 31 March 2016:

	2018/19 Estimate	2017/18 Estimate	2016/17 Estimate	2015/16 Revised Estimate	2015/16 Full Year Outturn	2015/16 Variance Outturn
	£	£	£	£	£	£
Expenditure						
Accommodation	299,760	293,310	287,000	349,008	338,040	-10,968
Actuarial Costs	104,450	102,200	300,000	100,000	125,225	25,225
Computer Costs	634,470	620,810	607,447	813,000	893,503	80,503
Employee Costs	6,448,420	6,309,610	6,173,789	5,616,122	5,493,075	-123,047
Internal Recharges from Bradford Council	414,540	405,620	396,890	397,130	363,843	-33,287
Printing and Postage	392,940	384,480	376,200	369,700	373,654	3,954
Other Running Costs	1,523,670	1,490,870	1,458,781	1,178,349	1,331,092	152,743
Shared Service income	-1,384,880	-1,355,070	-1,136,950	-1,112,472	-1,297,360	-184,888
Other Income	-129,870	-127,070	-233,090	-268,073	-121,653	146,420
	8,303,500	**8,124,760**	**8,230,067**	**7,442,764**	**7,499,419**	**56,655**

Estimate shown above are based on current costs of operational activities and our current and future business plans.

The variance between the revised estimate 2015/16 and the outturn for 2015/16 is mainly as a result of the following: -

- **Employee costs** underspent against budget is due mainly to systems and process improvements and continuous improvement programmes, resulting in a managed reduction in staffing costs.

- **Computer costs** overspend as a result of increased investments in computer facilities in Bradford and our shared service office in Lincoln.

- **Internal recharges** from Bradford Council to West Yorkshire Pension Fund is underspend as a result of savings and efficiencies within the Council.

- **Other running** costs exceeded the budget provisions due to reclassification of some costs which had previously been capitalised. This was done in line with new guidance from CIPFA which was introduced in 2015-16.

- **Other income** into the Fund is generated through work carried out by the Fund for IDRP work, Pension Sharing calculations and also some Fee income.

PARTICIPATING EMPLOYERS

Analysis of employers summarised by type

There were 404 active employers at the end of the financial year. A total of 4 employers ceased their membership of the fund during the year.

Employers		Ceased	Active
Admitted body	160	3	157
Scheduled body	248	1	247
Total	**408**	**4**	**404**

Analysis of contributions received on time and late

The table below shows the value of pension contributions that have been received both on time and late. West Yorkshire Pension Fund receives contributions from around 404 employers every month with a total monthly value in excess of £30m. Contributions are due by 19 of the month following the payroll month. Contributions received late were late for less than one month, therefore no statutory late payment interest was charged.

	Total	Received on time	Received on time	Received late	Received late
	£000	**£000**	**%**	**£000**	**%**
Employer contributions	262,685	258,769	98.5	3,916	1.5
Employee contributions	110,039	108,314	98.5	1,725	1.5
	372,724	**367,083**	**98.5**	**5,641**	**1.5**

Data Governance and Monthly returns

In April 2014, we implemented a new system for collecting members' data and contribution payment details from all employers participating in the Fund. Employers are now required to submit a detailed monthly return for their WYPF active staff members. The return provides a comprehensive data update for members' records and also allow us to reconcile payments made by employers for each member on a monthly basis. This has improved efficiency and removed the need for year-end reconciliation projects. This process has improved our data governance significantly. This process was extended to our shared service partner Lincoln Pension Fund (LPF) and this extension caused a small dip in our performance on the number of returns processed within 10 working days, due to data error issues from LPF employers.

Monthly Returns Performance Data	2015/16	
Number of returns expected in the year from all employers.	6,239	100.00%
Number of returns received by 19 April 2016.	6,239	100.00%
Number of returns not received by 31 May 2015.	0	0.00%
Returns processed within 10 working days.	5,080	81.42%
Number of records on return.	1,516,750	100.00%
Number of new member records set up using monthly return.	22,744	1.50%
Number of leaver notifications processed using monthly returns	9,805	0.65%

Employers who made contributions to the Fund during 2015/16

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
BRADFORD COUNCIL	14.2	14,889	0	33,637,654	14,651,093
LEEDS COUNCIL	13.6	21,763	3,373,278	56,940,484	25,140,835
CALDERDALE MBC	14.4	5,551	1,520,000	12,391,240	5,226,432
KIRKLEES COUNCIL	13.8	13,778	0	29,239,512	13,264,947
WAKEFIELD MDC	14.0	8,078	4,500,000	20,326,671	8,752,501
ABBEY GRANGE CE ACADEMY	12.4	185	17,500	297,299	141,861
ABBEY PARK PRIMARY ACADEMY	12.8	33	0	38,969	16,170
ABSOLUTELY CATERING LTD (BGS)	21.3	4	0	10,246	2,766
ACCURO (BBG ACADEMY)	19.2	5	0	2,330	716
ACKWORTH PARISH COUNCIL	17.9	2	0	8,607	3,008
ACTIVE CLEANING LTD (CROFTON ACADEMY)	23.7	7	0	3,681	854
ADDINGHAM PARISH COUNCIL	20.0	1	0	313	121
AFFINITY TRUST	NIL	12	0	0	13,874
AIREBOROUGH LEARNING PARTNERSHIP TRUST	13.6	343	26,591	417,684	179,155
AIREDALE ACADEMY	14.2	198	0	311,496	130,730
ALL SAINTS CE JNR SCHOOL	14.4	26	0	22,362	8,634
ALWOODLEY PARISH COUNCIL	19.6	1	0	1,625	472
AMEY COMMUNITY LTD (BFD BSF PHASE 1 FM SERVICES)	10.0	8	0	10,057	5,869
AMEY COMMUNITY LTD BRADFORD BSF PASE 2 FM SERVICES	14.2	19	0	30,873	39,130
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)	5.3	9	0	15,901	20,682
AMEY LG LTD (CALDERDALE)	7.4	15	0	39,888	29,137
APPLETON ACADEMY	13.8	82	0	158,018	69,953
ARTS COUNCIL ENGLAND	25.0	10	0	95,192	29,120
ASPENS SERVICES LTD	12.6	2	0	8,372	3,911
ASPENS SERVICES LTD (LEEDS EAST ACADEMY)	21.4	2	0	9,518	8,351
ASPENS SERVICES LTD (LEEDS WEST ACADEMY)	19.2	6	0	9,053	2,742
ASPIRE COMMUNITY BENEFIT SOCIETY LTD	16.9	645	88,517	1,348,919	555,427
ASPIRE-I	21.1	18	63,700	133,098	47,707
B B G ACADEMY	13.7	27	0	73,381	24,219
BARDSEY PRIMARY FOUNDATION SCHOOL	13.6	20	1,218	18,402	7,742
BARNARDOS (ASKHAM GRANGE PRISON)	NIL	5	0	0	3,939
BARNARDO'S (LEEDS PORTAGE)	NIL	1	0	0	1,499
BATLEY GIRLS ACADEMY	12.8	85	4,000	142,546	67,105

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
BATLEY GRAMMAR SCHOOL	15.3	16	0	42,526	16,864
BEECH HILL SCHOOL	13.4	62	5,800	103,538	46,169
BEESTON PRIMARY TRUST	13.6	62	4,596	69,453	28,830
BELL LANE ACADEMY	20.3	30	2,400	32,625	9,181
BELLE ISLE TENNANT MANAGEMENT	14.5	32	6,800	192,663	55,445
BELLE VUE GIRLS ACADEMY	14.4	85	46,700	155,401	65,383
BID SERVICES	13.7	1	0	3,516	1,668
BINGLEY GRAMMAR SCHOOL	14.2	62	0	170,190	79,562
BIRSTALL PRIMARY ACADEMY	14.3	34	5,200	35,111	13,565
BISHOP WHEELER CATHOLIC ACADEMY TRUST	15.6	232	77,500	353,829	152,187
BLESSED PETER SNOW CA TRUST (KIRKLEES)	15.7	155	0	244,182	99,236
BOLTON BROW PRIMARY ACADEMY	14.4	45	0	34,720	13,347
BOOTHROYD PRIMARY ACADEMY	13.6	66	0	87,749	36,389
BOSTON SPA SCHOOL	13.6	69	9,283	137,560	64,397
BRADFORD ACADEMY	13.2	156	0	283,288	140,641
BRADFORD COLLEGE	13.4	594	11,700	1,642,439	589,049
BRADFORD COLLEGE EDUCATION TRUST	3.6	2	0	1,924	3,577
BRADFORD COUNCILLORS	14.2	17	0	49,447	43,717
BRADFORD DIOCESAN ACADEMIES TRUST	14.6	211	0	220,199	88,494
BRADFORD DISTRICT CREDIT UNION	25.1	10	4,900	43,682	10,846
BRADFORD STUDIO SCHOOL	9.0	1	0	1,774	1,141
BRADFORD UNIVERSITY	16	634	0	2,227,046	823,187
BRADSHAW PRIMARY SCHOOL	12.6	49	12,700	38,246	17,064
BRAMLEY ST PETER'S C OF E SCHOOL	13.6	46	2,758	41,682	18,776
BRIGHOUSE ACADEMY	13.9	107	3,700	192,329	103,084
BRIGHTER FUTURES ACADEMY TRUST	14.5	82	14,600	93,199	36,380
BROOKSBANK SCHOOL SPORTS COLLEGE	15.1	135	39,100	220,099	86,469
BRUNTCLIFFE TRUST SCHOOL	13.6	8	3,918	88,278	25,887
BULLOUGH CONTRACT SERVICES (BINGLEY GRAMMAR SCHOOL)	23	3	0	3,167	681
BULLOUGHS CONTRACT SERVICES LTD	NIL	3	0	0	704
BULLOUGHS CONTRACT SERVICES LTD (BRIGHOUSE ACADEMY)	14.8	6	0	5,232	1,759
BURNLEY ROAD ACADEMY	15.9	35	2,000	39,649	13,915
BUTTERSHAW BUSINESS & ENTERPRISE COLLEGE	14.2	77	0	153,754	64,545
CAFCASS	15.8	1,628	3,564,000	9,300,253	4,455,335
CALDERDALE & KIRKLEES CAREERS	15.2	126	134,200	544,888	257,112
CALDERDALE COLLEGE	12.7	310	47,800	619,460	303,088

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
CALVERLEY C OF E PRIMARY SCHOOL	13.6	39	2,071	31,299	13,139
CARE QUALITY COMMISSION	27.7	5	60,833	78,339	23,923
CARILLION	16.3	10	3,900	21,142	7,504
CAROLL CLEANING COMPANY LTD (CALDERDALE)	NIL	2	0	0	207
CAROLL CLEANING COMPANY LTD (WAKEFIELD)	NIL	1	0	979	280
CAROLL CLEANING COMPANY LTD (WHETLEY)	NIL	3	0	0	715
CARROLL CLEANING CO LTD (BIRKENSHAW PRIMARY SCHOOL)	12.9	1	0	956	238
CARROLL CLEANING CO LTD (BOLTON BROW ACADEMY)	23.8	1	0	1,144	264
CARROLL CLEANING CO LTD (HOLY TRINITY PRIMARY)	9.3	1	0	1,700	393
CARROLL CLEANING CO LTD (LAPAGE PRIMARY SCHOOL)	24.1	0	0	454	104
CARROLL CLEANING CO LTD (LEE MOUNT PRIMARY SCHOOL)	18.8	4	0	1,076	315
CARROLL CLEANING CO LTD (RAVENSCLIFFE HIGH SCHOOL)	14.3	1	0	152	58
CARROLL CLEANING CO LTD (ST JOSEPH'S BRADFORD)	12.3	1	0	750	236
CARROLL CLEANING COMPANY (CROFTON ACADEMY)	19.3	1	0	2,882	821
CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)	18.0	3	0	2,288	616
CARROLL CLEANING COMPANY LIMITED (THORNBURY)	21.9	4	0	2,736	687
CASTLE HALL ACADEMY	13.9	45	13,200	94,775	40,879
CASTLEFORD ACADEMY	12.7	269	10,800	324,733	155,049
CATER LINK LTD (CRIGGLESTONE ST JAMES PRIMARY ACADEMY)	13.2	3	0	4,176	1,783
CATERING ACADEMY	NIL	2	0	185	820
CATHOLIC CARE	30.0	1	0	3,080	565
CHIEF CONSTABLE FOR WEST YORKSHIRE	11.0	3,764	0	10,739,388	6,464,460
CHRISTCHURCH CE ACADEMY	14.1	32	10,700	51,916	21,415
CHURHCILL CONTRACT SERVICES (BBG ACADEMY)	22.9	4	0	1,830	449
CLAYTON PARISH COUNCIL	8.4	1	0	859	562
COALFIELDS REGENERATION	19.4	9	0	66,529	27,299
COCKBURN HIGH SCHOOL TRUST	13.6	6	10,256	154,783	68,893
COCKBURN SCHOOL ACADEMY	16.5	92	2,800	47,543	14,380
COLNE VALLEY HIGH ACADEMY	16.4	57	1,340	127,196	46,388
COMMUNITY ACCORD	6.2	1	0	967	920
COMPASS (RADILLION) LEEDS PFI SCHOOLS	10.8	19	0	24,737	10,049
COMPASS CONTRACT (BUTTERSHAW SCHOOL)	NIL	3	0	0	1,195
COMPASS CONTRACT SERVICES	11.3	2	0	245	99
COMPASS CONTRACT SERVICES (CHAPEL ALLERTON SCHOOL)	29.9	0	0	1,039	191
COMPASS CONTRACT SERVICES (GREEN LANE)	27.5	2	0	1,585	325

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
COMPASS CONTRACT SERVICES (SPTA)	21.3	7	0	31,048	3,600
COMPASS CONTRACT SERVICES (UK) LTD	17.1	8	200	16,807	5,927
COMPASS CONTRACT SERVICES (UK) LTD (CHARTWELLS)	NIL	2	0	1,346	1,314
COMPASS CONTRACT SERVICES (UK) LTD (MINSTHORPE ACAD)	19.7	14	0	26,862	7,787
COMPASS CONTRACT SERVICES LTD (MANOR CORFT)	20.8	9	0	7,188	1,917
CONSULTANT CLEANERS LTD (WY FIRE)	20.8	3	0	3,900	1,032
CO-OPERATIVE ACADEMY OF LEEDS	11.7	233	0	332,585	163,948
COTTINGLEY PRIMARY ACADEMY	17.3	18	5,500	40,727	13,809
CRAFT CENTRE & DESIGN GALLERY LTD	6.4	4	0	4,190	4,075
CREATIVE SUPPORT LIMITED	NIL	12	0	0	16,699
CRESCENT FURTHER EDUCATION LIMITED	3.7	19	0	20,987	34,483
CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY	15.0	34	0	40,838	14,968
CROFTON HIGH ACADEMY	15.5	68	0	105,901	39,414
DARRINGTON C OF E PRIMARY SCHOOL	15.6	15	0	18,608	6,970
DAVID YOUNG COMMUNITY ACADEMY	12.0	54	0	157,597	85,710
DEIGHTON GATES PRIMARY FOUNDATION SCHOOL	13.6	20	1,421	21,477	9,169
DENBY DALE PARISH COUNCIL	6.9	1	2,200	1,179	991
DIAMOND WOOD COMMUNITY ACADEMY	13.4	46	1,060	74,655	32,315
DIXONS ACADEMIES CHARITABLE TRUST	15.0	364	0	709,102	286,916
EDUCATION BRADFORD	N/A	13	0	0	48,182
EDUCATION LEEDS LTD	N/A	0	0	80,634	0
ELITE CLEANING & ENVIRONMENTAL SERVICES LTD	NIL	4	0	2,122	2,413
ENGLISH BASKETBALL	25.2	1	6,400	8,673	2,237
ENVIROSERVE (SHELF J & I SCHOOL)	22.1	1	0	549	137
FEATHERSTONE ACADEMY	16.4	21	15,300	54,999	17,938
FEVERSHAM COLLEGE ACADEMY	12.2	60	4,800	71,213	36,763
FEVERSHAM PRIMARYACADEMY	8.4	34	0	29,526	15,672
FIELDHEAD JUNIOR INFANT & NURSERY ACADEMY	8.9	30	9,100	23,420	15,193
FIRST WEST YORKSHIRE	27.9	361	1,250,000	3,022,892	828,669
FLEET FACTORS (LIMITED)	9.4	1	0	3,332	2,388
FOXHILL PRIMARY SCHOOL	14.2	29	0	37,887	15,213
GARFORTH ACADEMY	NIL	1	0	12,199	0
GAWTHORPE COMMUNITY ACADEMY	12.3	31	17,500	36,218	17,133
GREENHEAD COLLEGE	15.8	79	3,300	187,901	75,437
GREENVALE HOMES	15.1	108	7,100	398,308	166,153
GREETLAND ACADEMY	13.6	62	0	63,135	31,371
GROUNDWORK WAKEFIELD	13.3	10	0	36,848	18,737

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
HALIFAX HIGH	13.7	51	0	138,376	50,871
HALIFAX OPPORTUNITIES	NIL	1	0	2,203	1,989
HALIFAX OPPORTUNITIES TRUST (CALDERDALE)	17.1	52	0	151,397	63,110
HANSON SCHOOL	14.2	96	0	172,265	71,425
HARDEN PRIMARY SCHOOL	13.6	23	0	29,622	12,254
HAVERCROFT ACADEMY	16.1	30	300	45,272	15,967
HEATH VIEW ACADEMY	13.5	46	1,660	50,198	20,983
HEBDEN ROYD TOWN COUNCIL	10.2	15	7,400	15,453	8,449
HECKMONDWIKE GRAMMAR SCHOOL ACADEMY	15.5	86	2,400	178,838	72,547
HEMSWORTH ACADEMY	14.7	112	0	210,974	84,254
HEMSWORTH TOWN COUNCIL	13.3	15	7,900	34,934	16,680
HEPWORTH GALLERY TRUST	15.0	3	200	14,561	8,920
HILL TOP FIRST SCHOOL	14.2	32	0	34,574	13,925
HOLLINGWOOD PRIMARY SCHOOL	14.2	64	0	82,206	34,023
HOLLYBANK TRUST	25.3	16	0	133,907	36,257
HOLME VALLEY PARISH COUNCIL	15.0	1	0	3,543	1,538
HOLY TRINITY ACADEMY	13.4	68	37,000	73,132	30,762
HOME FARM TRUST	NIL	14	0	0	16,689
HONLEY HIGH SCHOOL	13.8	72	0	0	29,695
HORBURY ACADEMY	14.6	103	23,700	141,563	59,811
HORBURY BRIDGE CE J & I SCHOOL	11.3	18	5,100	17,006	8,299
HORSFORTH SCHOOL ACADEMY	14.8	77	45,600	169,345	70,118
HORSFORTH TOWN COUNCIL	18.5	1	0	1,353	416
HORTON HOUSING ASSOCIATION (CSL)	NIL	9	0	0	10,885
HORTON HOUSING ASSOCIATION (OPHRS)	7.9	1	0	1,412	1,219
HUDDERSFIELD NEW COLLEGE	14.5	97	13,600	204,774	89,270
HUDDERSFIELD UNIVERSITY	11.5	2,565	875,700	3,236,752	1,960,537
HUGH GAITSKELL PRIMARY SCHOOL TRUST	13.6	76	5,852	88,428	36,461
I S S FACILITIES SERVICES LTD	19.4	13	0	15,759	5,976
IGEN	23.9	15	125,700	98,047	26,939
IGEN LTD	NIL	7	0	23,726	12,543
ILKLEY GRAMMAR SCHOOL ACADEMY	15.1	101	5,000	185,560	74,100
ILKLEY PARISH COUNCIL	10.6	3	2,800	2,718	1,457
INCOMMUNITIES	13.1	1,063	0	3,298,726	1,681,660
IND CLEAN SERV LTD	NIL	1	0	707	192
INITIAL CATERING SERVICES	12.1	11	0	15,035	5,616
INITIAL FACILITIES MANAGEMENT LTD	12.1	6	0	10,242	5,071
INTERSERVE (FACILITIES MANAGEMENT) LTD	15.8	38	0	126,309	24,682

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
INTERSERVE (FM) LTD (P.C.C FOR WEST YORKSHIRE)	21.8	6	3,100	24,562	6,872
INTERSERVE ACADEMIES TRUST LTD (CRAWSHAW ACADEMY)	12.4	51	41,800	104,564	51,542
INTERSERVE PROJECT SERVICES LTD	11.6	18	0	27,512	14,143
IQRA ACADEMY	10.9	46	0	60,186	23,963
JERRY CLAY LANE ACADEMY	16.4	29	200	35,358	12,505
JOHN SMEATON ACADEMY	12.3	39	0	115,991	50,080
KEELHAM PRIMARY SCHOOL	14.2	27	0	22,801	9,103
KEEPMOAT PROPERTY SERVICES LTD	15.4	3	0	9,984	3,760
KEIGHLEY TOWN COUNCIL	13.5	4	5,400	16,501	5,554
KHALSA SCIENCE ACADEMY	6.2	9	0	5,203	5,054
KIDS	24.9	1	0	6,335	1,654
KILLINGHALL PRIMARY SCHOOL	14.2	68	0	93,576	37,869
KING JAMES SCHOOL	12.4	47	30,300	87,314	41,717
KIRKBURTON PARISH COUNCIL	16.3	2	0	5,290	2,024
KIRKLEES ACTIVE LEISURE	7.8	684	0	434,144	366,668
KIRKLEES COLLEGE	12.9	541	0	1,126,339	543,698
KIRKLEES COUNCILLORS	13.8	10	0	25,516	20,283
KIRKLEES NEIGHBOURHOOD HOUSING	9.9	389	0	885,799	699,060
KNOTTINGLEY ST BOTOLPHS C OF E ACADEMY	15.8	36	0	46,520	16,527
LADY ELIZABETH HASTINGS	13.6	15	1,036	15,660	6,338
LAISTERDYKE GM MIDDLE	14.2	70	0	132,213	55,308
LANE END PRIMARY TRUST	13.6	16	883	14,873	6,156
LEEDS BECKETT UNIVERSITY	11.8	1,619	530,500	4,569,857	2,679,259
LEEDS CC COUNCILLORS	13.6	15	3,488	52,707	34,616
LEEDS CENTRE FOR INTEGRATED LIVING	NIL	20	0	23,215	24,701
LEEDS CITIZENS ADVICE BUREAU	15.4	46	8,800	176,387	56,937
LEEDS CITY ACADEMY	18.4	30	2,100	84,480	35,194
LEEDS CITY COLLEGE	13.2	551	26,800	2,001,133	761,343
LEEDS COLLEGE OF ART & DESIGN	11.9	107	0	273,350	157,111
LEEDS COLLEGE OF BUILDING	12.8	197	0	396,341	191,972
LEEDS COLLEGE OF MUSIC	10.7	221	50,100	425,591	279,611
LEEDS EAST PRIMARY PARTNERSHIP TRUST	13.6	167	11,647	175,297	72,944
LEEDS EAST-NORTH EAST HOMES	NIL	1	0	115,401	0
LEEDS GRANDE THEATRE & OPERA HOUSE	15.5	115	0	232,892	93,020
LEEDS GROUNDWORK TRUST	15.1	1	2,300	10,386	6,810
LEEDS HOUSING CONCERN	NIL	8	0	0	11,454
LEEDS INSTITUTE FOR THE BLIND	7.7	6	0	12,206	9,235

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
LEEDS METROPOLITAN UNIVERSITY	11.8	5	0	0	3,691
LEEDS MIND	14.7	18	4,900	62,434	29,845
LEEDS NORTH WEST EDUCATION PARTNERSHIP	13.6	199	20,493	339,602	135,064
LEEDS RACIAL EQUALITY	33.0	1	-8,600	3,653	16,356
LEEDS TRINITY UNIVERSITY COLLEGE	15.4	287	0	925,084	551,617
LEEDS WEST-NORTH WEST HOMES	NIL	2	0	51,260	0
LIBERTY GAS GROUP LTD	6.3	1	0	4,702	2,821
LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST	14.2	65	0	78,997	31,162
LIGHTCLIFFE CE J&I SCHOOL	14.4	44	0	47,425	18,635
LIGHTHOUSE SCHOOL	8.1	32	4,300	28,483	19,351
LINDLEY C E INFANT ACADEMY	18.0	36	0	51,233	16,293
LINDLEY JUNIOR SCHOOL ACADEMY	15.4	33	0	37,855	13,987
LOCAL GOVERNMENT YORKSHIRE & HUMBERSIDE	N/A	0	-162,200	1,749,000	0
LONGROYDE JUNIOR SCHOOL	14.4	25	0	33,231	13,377
LPM CLEANING LTD	NIL	3	0	0	692
MAKING SPACE	NIL	4	0	11,907	3,998
MANSTON ST JAMES ACADEMY	15.2	26	10,800	48,490	16,573
MEARS FACILITIES SERVICES (SOUTH)	13.0	40	0	170,868	86,239
MEARS FACILITIES SERVICES (WEST)	14.8	18	0	76,515	33,020
MEARS LTD	16.5	7	42,500	37,781	13,745
MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)	NIL	0	0	0	1,156
MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)	16.5	6	0	15,050	5,080
MELTHAM TOWN COUNCIL	9.9	1	0	1,489	900
MENSTON PARISH COUNCIL	19.0	1	0	611	237
MERLIN TOP PRIMARY ACADEMY	16.9	32	0	54,945	18,506
MICKLEFIELD PARISH COUNCIL	8.9	1	0	1,305	880
MIDDLETON PRIMARY SCHOOL TRUST	13.6	67	7,081	106,995	46,842
MINSTHORPE ACADEMY TRUST	12.7	109	0	278,465	107,722
MIRFIELD FREE GRAMMAR ACADEMY	12.7	115	21,400	238,100	98,515
MITIE (PFI LTD)	14.9	8	0	20,760	8,496
MITIE PEST CONTROL	NIL	1	0	543	1,051
MOOR END ACADEMY TRUST	13.3	102	22,700	138,589	63,248
MORLEY TOWN COUNCIL	NIL	1	0	0	1,063
MOUNT PELLON PRIMARY ACADEMY	13.5	83	0	86,204	35,967
MYRTLE PARK PRIMARY SCHOOL	14.2	24	0	40,679	16,566
N I C SERVICES GROUP LTD (COOKRIDGE HOLY TRINITY SCHOOL)	17.8	1	0	716	201

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
NATIONAL ASSEMBLY FOR WALES	36.6	4	0	88,486	18,113
NATIONAL COAL MINING MUSEUM	15.8	81	0	205,577	140,110
NEW COLLEGE PONTEFRACT	13.8	73	23,800	159,933	71,971
NIC SERVICES GROUP LTD	28.4	1	0	1,560	302
NORMANTON TOWN COUNCIL	6.1	3	0	3,363	3,501
NORTH HALIFAX GRAMMAR ACADEMY	15.0	61	1,400	123,078	53,335
NORTH HALIFAX PARTNERSHIP LTD	15.6	51	0	150,173	56,312
NORTH KIRKLEES CAB	11.1	6	0	13,515	7,357
NORTHERN SCHOOL OF CONTEMPORARY DANCE	8.7	24	0	38,378	28,053
NORTHORPE HALL TRUST	13.6	4	0	10,957	5,065
NOTRE DAME 6TH FORM COLLEGE	12.0	53	0	119,826	137,539
NPS (NE)	6.8	21	0	54,009	66,128
NPS LEEDS LIMITED	9.0	19	0	68,230	54,550
OAKBANK SCHOOL	14.2	108	0	221,918	92,571
OAKWORTH FIRST SCHOOL	14.2	60	0	74,637	29,838
OASIS ACADEMY LISTER PARK	11.8	73	0	109,047	56,999
OFSTED	19.3	1	930,000	7,691	2,636
OLD EARTH ACADEMY	13.5	73	8,000	73,802	31,925
ONE IN A MILLION FREE SCHOOL	12.3	13	0	22,672	11,031
OPEN COLLEGE NETWORK YHR	30.1	3	0	30,199	7,444
OSSETT ACADEMY & 6TH FORM COLLEGE	11.8	108	47,900	184,759	94,605
OSSETT PENSION (TRUST)	14.0	112	0	161,657	83,302
OTLEY TOWN COUNCIL	13.5	5	8,500	13,838	6,480
OUR LADY OF VICTORIES CATHOLIC PRIMARY ACADEMY	15.9	36	1,700	48,092	19,437
OUTWOOD GRANGE ACADEMY	12.5	198	41,900	340,579	176,369
OUTWOOD PRIMARY ACADEMY KIRKHAMGATE	15.8	32	0	32,481	12,151
OUTWOOD PRIMARY ACADEMY LEDGER LANE	12.5	44	0	35,836	16,157
OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE	15.4	47	0	50,054	17,149
OVERTHORPE C OF E ACADEMY	13.2	62	10,300	65,543	29,134
PARK LANE LEARNING TRUST	14.4	30	0	101,890	32,088
PENNINE HOUSING 2000 LIMITED	14.0	356	86,500	1,310,586	623,435
PEOPLE IN ACTION (LEEDS) LTD	NIL	0	0	650	0
PINNACLE BUSINESS SERVICES (LEEDS)	16.3	17	0	28,141	9,962
PINNACLE LTD (KIRKLEES)	11.4	3	0	3,741	2,039
PONTEFRACT ACADEMIES TRUST	15.4	424	0	649,678	228,669
PONTEFRACT EDUCATION TRUST	14.0	42	0	46,284	19,040
POOL PARISH COUNCIL	15.8	1	0	1,323	589
PRIESTHORPE SCHOOL TRUST	13.6	101	11,844	178,408	78,277

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
PRIMROSE LANE PRIMARY FOUNDATION SCHOOL	13.6	36	2,232	33,722	13,386
PRINCE HENRYS GRAMMAR	13.3	86	33,100	160,878	72,166
PROSPECT SERVICES	20.3	4	0	11,779	5,579
PROSPECTS SERVICES LTD 2012 (BRADFORD)	18.3	10	33,400	45,086	16,088
PROV COMPASS CONTRACT SERVICES (SPTA)	22.6	3	0	4,070	1,016
PROV KINSLEY ACADEMY	18.8	43	2,900	21,729	6,609
PROV TNS CATERING (SPTA)	22.8	9	0	15,403	4,676
PROV TNS CATERING MAN LTD (ST BOTOLPHS)	18.4	3	0	2,060	616
PUDSEY GRANGEFIELD TRUST	13.6	58	6,749	101,982	44,937
RAINBOW PRIMARY FREE SCHOOL	8.9	8	1,800	13,338	6,561
RASTRICK HIGH SCHOOL ACADEMY TRUST	12.7	84	0	161,452	74,649
RAWDON PARISH COUNCIL	13.2	1	0	1,353	564
RIDGE CREST CLEANING LTD	21.0	2	0	1,760	504
RIPON DIOCESAN C OF E COUNCIL FOR SOCIAL AID-CARDIGAN HOUSE	20.5	7	12,000	38,454	17,509
RIPON HOUSE	16.3	9	3,000	34,129	11,171
RM EDUCATION PLC	6.4	3	0	4,112	3,390
RODILLIAN ACADEMY	14.4	40	26,600	129,075	57,441
ROOKS NEST ACADEMY	15.4	65	5,300	68,609	24,827
ROTHWELL CHURCH OF ENGLAND PRIMARY ACADEMY	20.1	11	450	34,111	7,753
ROYDS COMMUNITY ASSOCIATION	28.6	3	12,000	28,754	7,581
ROYDS LEARNING TRUST	13.6	47	7,132	108,576	50,317
RUSSELL HALL FIRST SCHOOL	14.2	27	0	33,578	14,757
RYBURN VALLEY ACADEMY	14.3	76	6,200	141,134	57,615
RYECROFT PRIMARY ACADEMY	15.0	31	4,500	50,480	19,115
RYHILL PARISH COUNCIL	11.1	1	0	650	340
SALENDINE NOOK ACADEMY TRUST	12.4	65	0	111,647	54,219
SALTERLEE ACADEMY TUST	10.2	24	2,400	9,931	5,399
SAMUEL LISTER ACADEMY	15.3	62	45,500	130,836	53,342
SANDAL MAGNA COMMUNITY ACADEMY	13.1	32	0	36,516	16,195
SCHOOL PARTNERSHIP TRUST ACADEMIES	12.3	749	0	893,328	443,942
SCHOOLS LETTINGS SOLUTIONS (FREESTON ACADEMY)	8.8	1	0	850	532
SCHOOLS LINKING NETWORK	11.3	0	0	3,632	2,135
SCOUT ROAD ACADEMY	14.6	22	500	21,918	9,116
SEA FISH INDUSTRY	17.7	41	0	260,274	131,684
SHANKS WASTE MANAGEMENT LTD	14.4	19	0	66,327	29,852
SHARE MULTI ACADEMIES TRUST	14.5	179	20,000	275,784	111,822
SHIBDEN HEAD PRIMARY ACADEMY	13.8	34	9,700	36,501	14,850

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
SHIPLEY COLLEGE	13.3	176	19,700	286,462	166,450
SHIRLEY MANOR PRIMARY ACADEMY	12.5	26	920	31,965	12,984
SITA UK LTD	10.3	14	0	51,573	23,466
SKILLS FOR CARE	16.9	71	0	624,517	222,788
SOUTH ELMSALL TOWN COUNCIL	9.4	2	3,200	5,132	3,419
SOUTH HIENDLEY PARISH COUNCIL	8.6	1	0	585	442
SOUTH KIRBY & MOORTHORPE TOWN COUNCIL	15.0	29	0	57,096	22,684
SOUTH LEEDS ACADEMY	12.6	9	0	46,311	22,563
SOUTH OSEET INFANTS	17.8	19	3,300	23,901	7,728
SOUTHERN ELECTRIC	15.5	15	10,600	69,289	30,475
SOUTHFIELD GRANGE TRUST	14.1	232	0	449,411	194,067
SOUTHMERE PRIMARY ACADEMY	12.6	52	1,280	75,916	34,704
SOUTHWAY AT THE RODILLIAN ACADEMY LTD	15.0	8	0	11,071	4,716
SPIE LTD	9.7	21	0	28,532	12,425
ST ANNES CATHOLIC PRIMARY ACADEMY	18.1	31	1,900	49,747	22,855
ST ANNES COMMUNITY SERVICES	15.7	409	243,000	1,295,371	528,019
ST ANNES COMMUNITY SERVICES (BRADFORD)	NIL	11	0	0	16,208
ST CHADS C OF E PRIMARY SCHOOL	14.4	33	0	29,596	11,675
ST GILES CHURCH OF ENGLAND ACADEMY	12.7	32	0	35,712	15,962
ST HELENS CE PRIMARY ACADEMY	13.9	24	0	30,040	12,327
ST JOHN'S (CE) PRIMARY ACADEMY TRUST	14.0	34	7,300	37,178	15,286
ST JOHNS CE PRIMARY SCHOOL	14.2	72	0	78,452	31,908
ST JOHNS HOSTEL	17.9	13	21,000	64,454	23,053
ST JOHNS PRIMARY ACADEMY RISHWORTH	16.3	11	2,700	19,858	6,982
ST MICHAEL & ALL ANGELS SCHOOL	14.4	20	0	23,207	9,034
ST MICHAELS CE ACADEMY	16.5	50	0	82,063	29,658
SWALLOW HILL COMMUNITY COLLEGE ACADEMY	13.2	56	0	94,405	43,932
TAYLOR SHAW	7.8	5	0	3,573	2,520
TAYLOR SHAW LTD (BATLEY GIRLS HIGH SCHOOL)	NIL	5	0	1,444	2,163
TAYLOR SHAW LTD (FIELDHEAD GRIMES MANSTON)	19.5	6	0	8,115	2,289
TAYLOR SHAW LTD (PARKLANDS PRIMARY)	13.4	3	0	2,590	1,063
TAYLORSHAW LTD (COOKRIDGE HOLY TRINITY SCHOOL)	23.1	3	0	6,190	1,523
TAYLORSHAW LTD (CROSSGATES BEECHWOOD WHITELAITH)	17.7	7	0	6,223	1,934
TAYLORSHAW LTD (INTERSERVE CRAWSHAW)	20.3	5	0	4,898	1,355
TAYLORSHAW LTD (SWARCLIFFE PRIMARY SCHOOL)	20.2	4	0	6,363	1,732
TEMPLE LEARNING ACADEMY	20.0	5	0	7,738	2,424
THE ANAH PROJECT	10.8	1	0	4,631	2,804

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
THE BECKFOOT & HAZELBECK ACADEMY TRUST	13.9	189	0	373,884	159,582
THE BISHOP KONSTANT CATHOLIC TRUST	14.0	488	67,100	603,850	255,259
THE CATHEDRAL C of E	11.0	65	0	112,625	65,264
THE CROSSLEY HEATH ACADEMY TRUST	13.8	83	16,700	120,796	52,501
THE FREESTON ACADEMY	14.5	77	13,800	123,189	49,624
THE GORSE ACADEMIES TRUST	12.9	568	0	599,443	277,661
THE JOHN CURWEN CO-OPERATIVE PRIMARY ACADEMY	18.1	29	3,700	39,936	12,837
THE LANTERN LEARNING TRUST	13.6	198	16,494	248,711	105,606
THE MALTINGS LEARNING TRUST	10.1	12	0	17,300	11,193
THE POLICE & CRIME COMMISSIONER FOR WEST YORKSHIRE	11.0	111	0	316,034	204,215
THORNHILL COMMUNITY ACADEMY	12.3	64	29,000	104,806	53,578
THORNTON GRAMMAR SCHOOL	14.2	102	0	194,830	82,329
TODMORDEN TOWN COUNCIL	17.6	2	0	7,570	2,668
TONG HIGH SCHOOL	14.2	125	0	308,977	133,535
TRINITY ACADEMY HALIFAX	11.4	152	26,300	224,784	120,068
TURNING POINT	NIL	6	0	-35	5,774
TURNING POINT (WAKEFIELD)	14.8	1	0	6,100	2,921
UNITED RESPONSE	NIL	8	0	30,347	12,113
UNIVERSITY ACADEMY KEIGHLEY	14.4	83	0	195,322	69,449
UPP RESIDENTIAL SERVICES	12.8	1	0	1,425	612
VICTORIA PRIMARY ACADEMY	17.8	63	3,100	38,765	12,297
WAKEFIELD & DISTRICT HOUSING	13.1	1,412	0	4,910,983	2,503,819
WAKEFIELD CITY ACADEMY	15.0	59	1,500	175,471	96,992
WAKEFIELD COLLEGE	13.1	364	0	664,267	313,482
WAKEFIELD COUNCILLORS	14.0	11	0	30,781	13,192
WATERTON ACADEMY TRUST	19.0	198	1,900	191,374	56,700
WEST END ACADEMY	12.4	35	0	33,992	15,431
WEST VALE PRIMARY SCHOOL	14.4	18	0	26,692	10,614
WEST YORKSHIRE COMBINED AUTHORITY	13.5	452	1,028,900	1,602,831	814,409
WEST YORKSHIRE VALUATION TRIBUNAL	12.8	0	0	10,090	5,833
WESTBOROUGH HIGH SCHOOL	13.8	55	0	20,095	0
WESTWOOD PRIMARY SCHOOL TRUST	13.6	33	2,685	40,570	16,689
WETHERBY TOWN COUNCIL	18.0	7	0	21,227	7,258
WHITEHILL COMMUNITY ACADEMY	14.9	120	3,500	132,797	62,702
WILLIAM HENRY SMITH SCHOOL	20.8	67	27,200	213,894	65,262
WOLSELEY UK LTD	22.9	1	0	6,859	1,947
WOODHOUSE GROVE SCHOOL	29.1	4	38,100	31,625	6,798

Employer name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer contribution	Employee Contributions
	%		£	£	£
WOODKIRK ACADEMY	15.6	99	5,500	205,420	79,921
WOODSIDE ACADEMY	11.9	83	11,300	78,845	37,361
WRAT - LEEDS EAST ACADEMY	14.1	42	8,500	90,699	38,296
WRAT - LEEDS WEST ACADEMY	12.2	75	4,600	145,891	76,848
WY FIRE & RESCUE	14.1	302	85,900	967,226	444,619
YORKSHIRE HOUSING LTD	16.2	2	0	7,158	2,372
YPO	12.1	499	0	1,545,336	796,807
TOTAL		**100,927**	**19,993,966**	**242,690,977**	**110,038,824**

BENEFITS PAID

West Yorkshire Pension fund pays almost 106,600 pensioners and beneficiaries every month with a gross pension payroll in excess of **£40m** each month for West Yorkshire members and shared services members. Only West Yorkshire Pension Fund members are charged to the account in the financial statements.

Shared service provision

In addition to the Local Government pension paid each month, West Yorkshire Pension Fund also provide a Pensions Administration and payroll service for the following organisations:

- Lincolnshire Pension Fund
- Lincolnshire County Council Fire
- West Yorkshire Fire & Rescue Authority
- North Yorkshire Fire & Rescue Authority
- Humberside Fire & Rescue Authority
- South Yorkshire Fire & Rescue Authority (the fund provides the administration Function only).

The combined shared service membership for the 2015/16 financial year is shown in the following table:

	Active	Pensioners	Beneficiaries	Deferred	Undecided	Frozen	**Total**
WYPF	100,927	71,675	11,291	82,154	6,817	6,087	**278,951**
Lincolnshire LGPS	24,449	15,946	2,333	27,615	1,678	1,668	**73,689**
Lincolnshire Fire	509	263	59	335	22	26	**1,214**
West Yorkshire Fire	1,129	1,975	307	186	12	3	**3,612**
North Yorkshire Fire	626	462	78	109	63	-	**1,338**
Humberside Fire	736	810	130	126	41	-	**1,843**
South Yorkshire Fire	607	1,088	170	80	3	13	**1,961**
Total	**128,983**	**92,219**	**14,368**	**110,605**	**8,636**	**7,797**	**362,608**

Pension overpayment

Occasionally pensions are paid in error. When this happens processes are in place to recover the overpayments. The table below shows a summary of the value of overpayments involved. Every effort is made to recover overpayments, whilst managing the financial impact on overpaid pensioners.

Overpayments	2015/16		2014/15		2013/14	
	£000	**%**	**£000**	**%**	**£000**	**%**
Annual payroll	357,890		342,087		327,405	
Overpayments	320	0.09%	237	0.07%	67	0.02%
Overpayments written off	4	0.00%	17	0.00%	11	0.00%
Overpayments recovered	102	0.03%	96	0.03%	59	0.02%

The table below shows a summary of transactions processed during the year:

Analysis of overpayments	2015/16 No. of payments		2014/15 No. of payments		2013/14 No. of payments	
Number of pensions paid during reporting period	995,592		985,776		949,128	
Number of cases overpaid	355	0.04%	333	0.03%	198	0.02%
Number of cases written off	7	0.00%	27	0.00%	18	0.00%
Number of cases recovered	177	0.02%	201	0.02%	173	0.02%

Fraud Prevention - National Fraud Initiative

West Yorkshire Pension Fund take part twice a year in the National Fraud Initiative (NFI). The data that is submitted by the Fund includes pensioners, beneficiaries and deferred member information for Local Government Pension Scheme, Lincoln Pension Fund and Fire Services Pension members managed by the Fund.

A summary of the latest results of these exercises is shown below:

Pensioners, beneficiaries and deferred members - deceased	No of record sent	No of mismatches		Overpayments		Possible Frauds	mismatches carried forward at 31st March
2015/16	219,313	868	0.40%	61	0.03%	3	10
2014/15	159,928	656	0.41%	25	0.02%	0	5
2013/14	154,616	1,456	0.94%	82	0.05%	3	8

Internal Audits completed during 2015/16

The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Council. Each year a number of audits are performed on financial systems and procedures across the organisation as agreed in advance with the West Yorkshire Pension Fund management. Listed below is a summary of reviews that were carried out during the financial year 2015/16.

- **Monthly Contribution Data Usage** – In April 2014 the West Yorkshire Pension Fund introduced a new system for the monthly data collection in respect of the contributions received from participating employers. The aim of this review is to ensure the accuracy of member records, ensure the process use collected data efficiently, allow changes to be made to member records and reduce the number of year end pension accounts queries for employers and members. The review informed management as to the current position of the Monthly Contribution Data project, identified areas for improvement and assisted management in deciding on the future direction and development of monthly data collection processes.

- **Reimbursement of Agency Payments** – This audit examined the reimbursement of payments made in respect of pension administration services provided by the WYPF to West Yorkshire, North Yorkshire, Humberside and South Yorkshire Fire Officers pensions and also for payment of Teachers Gratuities for Bradford MDC. The work identified a number of issues and recommendations for improvement, all recommendations were implemented.

- **AVC Arrangements** - Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with two providers, Scottish Widows or Prudential. The standard of control around these arrangements was found to be excellent.

- **Review of the West Yorkshire Pension Fund 2014/15 Accounts** - This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.

- **Life Certificates** - This process assists in confirming the continuing existence of pensioners currently being paid. WYPF aims to send Life Certificates for completion to all its pensioners at least once every seven years. Pensioners identified as “high risk,” in relation to Life Certificates, are required to complete a life certificate each year. The audit found the standard of control around this process to be excellent.

- **New Pensions and Lump Sums – Fire Pensions** - West Yorkshire Pension Fund provides an administration service for the payment of West Yorkshire, North Yorkshire, Humberside and South Yorkshire Fire Officers’ pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member’s decision to retire. The control environment was found to be satisfactory.

- **Pensioner’s Payroll** – This audit examined the pensioner’s payroll process, these payments are made, mainly on a monthly basis, to over 83,000 pensioners. The process was found to be well controlled and suggested actions for improvement made by auditors were implemented.

- **Equities** - These investments are held under the custody of the HSBC, and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the audit review found the process to be well controlled.

- **Treasury Management** - This audit reviewed the arrangements in place for treasury management and to ensure that surplus cash is invested in the most appropriate ways and found controls in this area to be excellent.

- **Follow Up Audit** – West Yorkshire Pension Fund Access to Data - A follow up of the Access to Data audit, carried out in 2014, was undertaken to determine the level of implementation of outstanding agreed High Priority recommendations. The result of this process was deemed to be satisfactory, however, further work was required to ensure full implementation of two high priority recommendations resulting from the original audit.

ISO 9001:2008

WYPF is an ISO 9001:2008 accredited service provider. All our services are quality assured using rigorous quality management systems, and assessed by external assessors twice a year. WYPF first achieved accreditation in 1994 and we have successfully maintained this accreditation since.
The purpose of the ISO 9001:2008 certification is to ensure that WYPF provides quality Local Government Pension Scheme services to employers, members and beneficiaries within the scope of Local Government Pension Scheme Regulations 2013 and the Firefighters' Pension Scheme Order 2013.

WYPF quality policy

We will provide best value and deliver and improve our services in an efficient and effective manner by:

- Providing a high-quality service to all beneficiaries and deferred members
- Paying correct benefits on time, dealing with queries promptly
- Providing accurate and timely pension information
- Providing equal access to all our services within the relevant regulations
- Providing an efficient and effective service to all employers in the scheme

This means responding quickly to requests for information, giving advice and training, and supplying detailed guidance on the implications of any new legislation affecting the scheme.

Quality management system

As part of the Quality Management System, several systems and procedures have been put in place to ensure our service continually improves.
These include:

- Having procedures in place for dealing with customer complaints and faults, and ensuring the appropriate corrective and preventative actions are taken.
- Conducting internal quality audits to ensure quality is maintained and to identify improvements.
- Monitoring our processes to obtain statistical data on our efficiency in calculating and paying pensions, so we can ensure benefits are paid on time.
- Surveying customers about their experience of our service
- Holding regular service review meetings to review service performance and quality issues

Management and Customer Service Key Performance Indicators

WYPF monitors its performance against several Key Performance Indicators (KPIs). As a result of the implementation of the new scheme all aspects of our administrative structure, processes and systems were reviewed.

Our key performance indicators during the year measured against our targets are shown in the table below. Critical business areas impacting on pensioners and their family takes priority, these being, members requiring immediate payment for retirements, redundancies, dependents pensions and death grants. Delays in receiving new scheme regulations did present some issues, impacting on a small number of our key performance indicators.

Work type	Total Cases	Target Days	Target met Cases	KPI Target	Actual KPI
Payment of pensions (pensioners + beneficiaries)	1,279,044	Due days	1,279,044	100%	100%
Death in Service – Payment of Death Grant	773	5	762	85%	99%
New starter set up	1,781	5	1,591	85%	89%
Deferred Benefits Set Up on Leaving	8,640	10	6,631	85%	77%
Refund Quote	2,796	35	1,417	85%	51%
Refund Payment	1,499	10	1,488	85%	99%
Transfer Out Payment	345	35	329	85%	95%
Pension Estimate	9,571	10	7,025	85%	73%
Retirement Actual	3,544	3	3,398	85%	96%
Deferred Benefits Into Payment	2,593	5	2,461	85%	95%
Death Grant Single Payment	773	5	762	85%	99%
Change of Address	16,032	20	15,924	85%	99%
Life Certificate Received	4,904	20	4,813	85%	98%
Payroll Changes	3,356	20	3,345	85%	100%
Change to Bank Details	4,084	20	4,056	85%	99%
Death Notification	3,478	5	3,361	85%	97%
Potential Spouse	142	10	121	85%	85%
AVC In-house (General)	1,363	10	1,278	85%	94%
Employer satisfaction with the service	**n/a**	**n/a**	**n/a**	**85%**	**88%**
Percentage of visitors waiting less than seven minutes at a reception point.	**n/a**	**n/a**	**n/a**	**100%**	**100%**

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Cost per member

The latest published data (2014/15) for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £16.81, the 10th lowest cost amongst 89 LGPS funds and well below the national average of £25.19.

WYPF has the lowest total cost per members (administration and investment) at £28.30, the national average for LGPS in 2014/15 is £169.84.

The 2015/16 annual cost of administering the West Yorkshire Pension Fund per member is £16.64, investment management cost per member is £10.64, and the total management cost per member is £27.28. These figures compares favourably with the average cost for authorities in the DCLG –SF3 results for 2014/15 as shown in the table below:

Cost per member 2014/15	Position	West Yorkshire Pension Fund	LGPS Average	LGPS Lowest	LGPS Highest
Administration	10th	£16.81	£25.19	£13.92	£87.45
Investment	1st	£11.49	£144.65	£11.49	£506.16
Total cost per member	**1st**	**£28.30**	**£169.84**	**£28.30**	**£530.29**

***LGPS figures are from DCLG SF3 2014/15 data set.**

Staff numbers and trends

	2011/12 FTE	2012/13 FTE	change %	2013/14 FTE	change %	2014/15 FTE	change %	2015/16 FTE	change %
Service centre staff	75.3	71.2	-5.4	54.3	-23.7	56	3.1	64.8	15.7
Payroll	11.8	11.2	-5.1	15.1	34.8	14.6	-3.3	16.6	13.7
ICT/UPM staff	4.2	4.2	0.0	7.6	81.0	7.7	1.3	7.8	1.3
Finance Staff	3	3	0.0	7.2	140.0	7.7	6.9	8.4	9.1
Business support staff	10.6	10.7	0.9	10.8	0.9	9.2	-14.8	9.2	0.0
Technical	4	3	-25.0	3.9	30.0	4	2.6	4	0.0
Total	**108.9**	**103.3**	**-5.1**	**98.9**	**-4.3**	**99.2**	**0.3**	**110.8**	**11.7**

Increased number of staff in 2015/16 is due to implementation of shared services with Lincolnshire Pension Fund

Staff to fund member ratio

	2012/13 FTE*	Total fund membership 2012/13	2013/14 FTE*	Total fund membership 2013/14	2014/15 FTE*	Total fund membership 2014/15	2015/16 FTE*	Total fund membership 2015/16
Total	**103.3**	**245,519**	**98.9**	**256,561**	**99.2**	**268,780**	**110.8**	**278,951**

*FTE = Full time equivalent

SECTION 5 – FINANCIAL & MANAGEMENT PERFORMANCE

Membership trends over a 4 year period

The membership in the Fund continues to grow, with a total membership including undecided leavers and frozen refunds of 278,951 as at 31 March 2016. Active members are employed by 404 separate organisations. The number of active members continue to increase as a result of auto enrolment.

Membership category (at 31st March each year)	2015/16	% change	2014/15	% change	2013/14	% change	2012/13	% change	2011/12
Active Members	100,927	3.5%	97,548	3.7%	94,056	3.3%	91,072	-2.0%	92,959
Pensioners	71,675	0.7%	71,189	4.1%	68,358	4.9%	65,177	4.4%	62,435
Beneficiaries	11,291	3.0%	10,959	2.1%	10,736	2.2%	10,504	1.8%	10,317
Deferred pensioners	82,154	5.6%	77,780	3.0%	75,522	7.1%	70,493	8.1%	65,202
Undecided leavers	6,817	13.8%	5,988	125.5%	2,655	-20.4%	3,337	N/A	0
Frozen refunds	6,087	14.5%	5,316	1.6%	5,234	6.0%	4,936	22.4%	4,034
Total	**278,951**	**3.8%**	**268,780**	**4.8%**	**256,561**	**4.5%**	**245,519**	**4.5%**	**234,947**

Admissions to the Fund

Employees joining the Fund were as follows:

	2015/16	2014/15
Employees joining with no previous service	23,161	23,272
Employees with transfers from:		
- other local government funds	3	7
- other pension schemes	110	73
Totals	**23,274**	**23,352**

Withdrawals from the Fund

Benefits awarded to members leaving employment were as follows:

	2015/16	2014/15
Members awarded immediate retirement benefits	2,882	2,783
Benefits awarded on death in service	98	85
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	6,366	5,440
Totals	**9,346**	**8,308**

INVESTMENT ADVISORY PANEL – OPERATIONAL REVIEW

This is a review of the activities of the WYPF investment advisory panel for the financial year 2015-2016. This report provides a brief summary of the investment market conditions that formed the backdrop to the investment advisory panel operations and highlight some of the investment decisions made. The report also covers other aspects of the panel's work, including a number of consultations that took place over the period on the future governance of the scheme. The report will also cover the various meetings with external investment managers running assets on behalf of the scheme, which form part of the on-going governance role of the advisory panel.

Panel meeting April 2015

The previous financial year had ended very strongly with all major developed markets delivering positive returns. The European (ex UK) and Japanese equity markets were particularly strong. The US equity market that had lead the way over the previous year faltered as concerns over a strong dollar and slowing economic growth caused nervousness. The first panel meeting of new financial year took place in April against this investment backdrop. This was the first such meeting to be hosted at Aldermanbury House, the first building owned directly by the pension fund in the newly instigated direct property portfolio. The meeting started with the Deputy Chair Ian Greenwood paying tribute to the enormous contribution of Councillor Howard Middleton who having been a member of the Investment Panel since 1998 had stepped down as a councillor and retired from the panel. His deep knowledge and experience will be missed and the entire panel wishes Howard a happy retirement.

Market reviews

After hearing detailed reports on the major equity and bond markets including noting the transactions carried out in the previous quarter by members of the internal investment team, the panel then reviewed recommendations for investing new cash flow over the coming quarter. All such decisions are based on input from the individual internal investment teams and external advisors. The economic conditions prevailing and the current positioning of the portfolio against its strategic customised benchmark are also considered. The April meeting was informed of the likely volatility surrounding the UK general election which at this time was predicted to result in a hung parliament. Another factor considered by the panel was an amount of previously allocated cash still un-invested in a number of overseas equity markets including Europe and Japan. This was a direct consequence of high levels of market volatility making investment more difficult in the short term. The report on the bond markets highlighted the lack of value across many markets and the phenomenon of negative yields which at the time of the meeting included German bunds as far out as nine years.

Taking all these factors into consideration the investment advisory panel decided to allocate cash into a number of listed alternative funds that had become available and offered attractive yields and a property fund available close to NAV. The remaining cash was ring-fenced for the UK equity team to utilise over the general election period if opportunities presented themselves.

Private equity investments

It has been a regular occurrence for over a year now, due to favourable market conditions the portfolio had received distributions of cash from private equity investments that exceeded the cash being drawn down for new investments. It is the nature of private equity that in order to maintain the target level of strategic weighting that regular new investments will need to be considered by the panel to replace investments that are more mature and are in the process of returning cash to investors. New private equity and infrastructure investment opportunities are assessed by the in house team and those considered suitable are presented to the panel along with a due diligence report. Funds that are accepted will be taken forward by the in house team onto the final stages of due diligence before the final decision on subscribing is made. During the first meeting of the new financial year a US private equity fund co-investment fund, a water infrastructure fund and an aircraft leasing fund were considered and accepted to go forward onto the final stage of due diligence.

Stock lending

During this first meeting of the new financial year and in accordance with best practise in corporate governance the panel considered a number of annual reports concerning the operation of the fund. A report on the stock lending activities was reviewed. All stock lending is now conducted on behalf of WYPF by HSBC on an agency basis. The report covered income received and the amount of stock currently on loan split by asset type. The panel agreed to continue a policy permitting the maximum level of 35% of the total portfolio allowable under the regulations for stock lending. Two new counterparties to the stock lending activity were also approved.

Treasury policy

A treasury policy statement was reviewed and approval given for a revised treasury policy which had resulted from changes to the way credit rating agency Fitch rank financial institutions undergoing changes to their “implied sovereign support”, which was introduced during the financial crisis. This change to the treasury policy was discussed and approved. The panel received a report on the operational controls of HSBC Securities Services, who act as custodian to the schemes assets. The ISAE 3402 assurance report on controls provided by HSBC Securities Services had been reviewed by KPMG with the full report being made available to panel members. A governance report on the operations of the Investment Panel during the previous financial year, which had been prepared by one of the scheme’s independent investment advisors was reviewed and noted.

Panel meeting July 2015

When the panel convened for the second meeting of the financial year in July. Their first task was to formalise a change in the chairmanship of the panel. Councillor Andrew Thornton was duly elected replacing Councillor Malcolm Slater as chair. Ian Greenwood was re-elected to the role of deputy Chair. As the panel gathered for the July meeting global markets had undergone a set back after a promising start to the year. Any relief following the decisive outcome of the UK general election was short lived and UK Equities fell over the quarter. Sterling however had been strong against all major currencies and this had turned a flat performance for the world index into a 5% decline for the un-hedged UK investor.

Sterling strength was in part a response to the election result but also weakness in the € which was suffering as real concerns emerged (once again) about Greece and the apparent breakdown of trust between the Greek government and its creditors. This coupled with increased concerns about a hard landing for the Chinese economy, not helped by extreme volatility in its stock market all weighed on investors’ minds. The prospects of rate rise in the US coupled with a fully valued equity market did leave investors struggling to spot the next market leader in terms of performance.

European equities

After considering all these risks and the likely rewards available in an increasingly challenging investment environment, the panel decided to allocate the majority of new cash flow into European equities. The concerns over Greece had distracted the market from a number of positive economic developments. This coupled with some attractive valuation and dividends had opened up opportunities for careful stock selection. As with all decisions on new investments the current fund weighting against its own benchmark was taken into account, the European Equity weighting was in line with the benchmark and therefore the decision was made to move slightly overweight.

Investments performance review

In addition to receiving reports on all the asset classes represented within the fund the panel formally reviewed the investment performance achieved by the fund in the last financial year. A representative of the investment performance measurement company WM Performance Services presented a report detailing performance over both the long and short term with reference made both to the funds own customised benchmark and the wider local authority universe of funds. The fund has seen satisfactory performance against its own benchmark over one, three, five and ten years with stock selection being positive over these periods. Against the universe of other local authorities, the fund has done less well. Over ten years the fund has beaten the universe however over one, three and five years it is behind, with stock selection being the biggest negative.

Alternative investment working group

A meeting of the alternative investment-working group was convened in London during September for face-to-face meetings with a broad selection of external managers running the fund of hedge fund, private equity and Infrastructure investments for the scheme. These face-to-face meetings held over two days review performance, strategy and allow for a detailed look at the investment environment and strategies the various fund managers are operating in. Meeting a number of managers in a short period of time does allow the panel members a good overview of both market trends and how the various managers are responding to opportunities and challenges arising.

These working group meetings also allow for strategy recommendations and during the meeting it was decided to recommend redeeming the final active currency hedge fund invested in by WYPF. The decision to recommend a full redemption was derived from concerns about the ability of the strategy to sustain meaningful positive performance over the long term.

Panel meeting November 2015

The November meeting of the investment advisory panel followed a third quarter that proved to be particularly volatile for global equities and despite a slight recovery towards the quarter end, delivered the worse quarterly returns since 2011. The trigger for steep falls in markets during August was the decision by the Chinese authorities to devalue the Renminbi (Chinese Currency). This heightened fears already present that the Chinese economy was in difficulty and possibly heading for a hard landing. Bonds were the beneficiary of market nervousness offering a safe haven status, the weakening economic growth story, zero inflation and deferred monetary tightening in the US all contributed to positive returns to bonds globally including in the UK. UK Property once again had a strong quarter and was the best performing asset class over twelve months.

WYPF's active engagement on social accountability

The agenda for the November panel was a busy one. In addition to reviewing the global investment environment and allocating new cash flow the panel had a number of significant reports to review. A comprehensive report had been produced by officers highlighting the ongoing pro-active engagement agenda the WYPF is engaged in. The report also responded in detail to a recent campaign initiative calling for fossil fuel disinvestment by pension schemes and made reference to similar divestment campaigns including Tobacco. The panel noted the regulatory and fiduciary requirements of the WYPF and the duty of the panel to maximise returns for the benefit of members while taking account of the likely volatility of returns. The long-term contribution to returns of the various sectors within the UK equity market contained in the report were also noted. The panel re confirmed a policy of active engagement with companies on matters of environmental, social and governance issues when selecting stocks. Stock selection should support companies that seek to operate with high standards in these areas, where the required return and risk characteristics are favourable from a fiduciary standpoint.

Direct property investments

Also presented at the meeting was a report on developments within the property strategy of the fund. Property had been a focus for the panel for a number of years and a report was reviewed covering a number of items of policy concerning property transactions. The investment team had recruited a direct property specialist and had undertaken an extensive set of meetings with other LGPS Funds, property fund managers and investors to ascertain the best practice in direct property investment. A tender process had been established to facilitate the next steps in this process. However further to government announcements about the extent of LGPS pooling and the likelihood of the WYPF being in an asset pool, it had been decided to explore a significantly more ambitious plan and to mandate Norfolk pension scheme (NPS) to set up a national framework agreement for property on behalf of the WYPF which will in time be available across the entire LGPS.

The panel noted and approved the proposals along with a shorter-term initiative with St Brides partnership to invest in good secondary property assets located in strong regional centres. This proposal had the advantage of allowing for in-specie transfer of property assets into a direct WYPF property portfolio at a later date while having the strong investor controls and veto authority from the outset.

Members' and employers' annual meetings

Communication with both employers and members has been and remains an important aspect of the panel's activities. Immediately following the November formal panel meeting the annual meetings for both the employers and pensioners took place in Bradford Town Hall and the following day at Wakefield. These annual events are both informative and are always well attended. The meetings provide an opportunity for employers, members and pensioners to hear about administration aspects of the fund and any changes that have taken place for members or employers, as well as the customer service levels being achieved. As it is the administration function of the scheme that is the main interface with members and pensioners this information always proves of interest.

In addition to the information on the functioning of the scheme provided by the Director, the annual gatherings include reviews of the global economic environment, changes to the asset allocation within the fund and a review of investment performance over both the short and long term. The external investment advisers to the fund provide these presentations. Each meeting also has a guest speaker who provides an informative talk of interest to the specific audience. The Wakefield meeting enjoyed an excellent presentation on crime prevention in the home from a member of the West Yorkshire Police Authority. The meetings conclude with an opportunity for the attendees to ask and have questions answered that have been submitted prior to the event. The relevant scheme representative answers these questions for the benefit of the whole meeting

Panel meeting January 2016

The final full panel meeting of the financial year took place in January 2016. Global markets enjoyed a strong final quarter of the calendar year recovering all the lost ground that had occurred during August sell off. Despite this rally into the year end the fears that were the catalyst of the August fall still remained. A Chinese economic hard landing was still a concern for investors and even after the December's 0.25% rise in US rates the future trajectory remained a concern at the turn of the year. Over the calendar year 2015 Japanese and European Equity along with property were the strongest asset classes with emerging market and developed Asian equity the worst. By the time of the panel meeting in late January global markets had suffered a severe setback. Once again concerns over the Chinese economy weighed heavily with growing concerns about the future management of the Renminbi added to the mix. January also witnessed another slump in Oil prices with dramatic falls early in the month. The investment panel forms investment decisions with a long-term view and takes a pragmatic approach to short term market volatility while being cognisant of the pitfalls. However, volatility can also provide opportunities for the long-term investor and with this background in mind a decision was taken to deploy new cash flow into a number of areas where value was emerging such as Indian equity while also moving further overweight in Japanese and European Equity, where the positives in terms of earnings outlook, valuation and central bank policy continue to be aligned positively, particularly in comparison to other regions of the globe.

Asset pooling proposals by Government

The January panel meeting also featured a review of a number of profoundly important proposals that will greatly affect the operation of the investment panel in the future. A report was presented on "Revoking and replacing the Local Government Pension Scheme (management and Investment of Funds) Regulations 2009. The panel examined the report, which covered the government proposal to revoke the 2009 investment regulations and replace them with a revised set, which amongst other changes would allow the pooling of assets across various schemes. At this time the DCLG are consulting on the potential changes and consequently the panel responded to the process by highlighting areas where there was little concern, as well as proposals that are more problematic with proposed intervention powers by the Secretary of State foremost amongst these concerns.

A separate paper was presented on investment reform criteria and guidance – Investment Pooling. The panel members were briefed on the initial discussions that were on going between WYPF and a number of other large LGPS pension schemes, in response to the government's desire (announced in the July 2015 budget) to see large scale asset pooling within the LGPS. The panel were reminded of the background to the pooling discussions the criteria that need to be met along with timetables and possible governance structures. This is a hugely significant and complex task for the officers involved and it was clear that great deal of work lies ahead for both officers and panel members alike. The formal detailed proposals on asset pools and governance structures will need to be presented to DCLG during July 2016. It seems likely that matters relating to asset pooling will take up a significant amount of panel time for the immediate future.

Fund specific benchmark

In a very busy January meeting the fund specific benchmark was also reviewed and no major changes were proposed. However in recognition of redemptions from the alternatives hedge fund portion of the portfolio the benchmark weighting was reduced in this area. The last major revision to the fund specific benchmark took place following the results of the 2013 actuarial valuation and it seemed appropriate to wait for the results of the 2016 valuation before having a more fundamental review, if it is deemed appropriate.

Special panel meeting February 2015

The final meeting of the financial year was held during February. The alternative investments working group reviewed in detail funds from eight separate managers where the fund has current commitments. Most of these funds would be classified as UK lower mid-market private equity in terms of geography and target market. There was one new fund reviewed at the meeting, a private lending fund introduced as part of the Investing for growth initiative, which was highlighted in last years' report on the operations of the advisory panel. As with the London meetings of the working group, these face-to-face meetings provide members with the opportunity to ask questions of the managers and to monitor the investment landscape in which these investments are deployed. A distinctive feature of this particular meeting is that a number of the investments are specifically targeted at local business investment.

Training for panel members

An important aspect of maintaining a high level of understanding within the Investment Panel is to encourage and facilitate opportunities for training and attendance at industry events. Attendance at investment and training seminars is encouraged not only for new panel members but also for existing members to keep their knowledge as up to date as possible. During the period the panel has been represented at a number of industry investment seminars including the LGC Investment Summit and the NAPF Investment Conference. The panel continues to support the work of LAPFF and a number of committee members were present at the December LAPFF conference in Bournemouth. The whole event focused on the importance of positive corporate engagement by the LGPS and featured some of the ground breaking research carried out by LAPFF on the issue of financial reporting in the banking industry. As this is a year in which the triennial actuarial valuation takes place, Aon Hewitt the schemes' actuary carried out training at the final meeting of the financial year. This was a scheme specific detailed presentation for all members of the panel, the Local Pension Board and the Joint Advisory Group. The presentation covered all inputs and assumptions that go into calculating the schemes liabilities and how decisions about investment and fund structure also feed into this calculation

Voting rights

In terms of responsible ownership the scheme continued to exercise its shareholder voting rights in full. As highlighted in previous governance reports the panel adopts the PIRC shareholder voting guidelines for this purpose making use of the full-extended service. As a consequence the fund is able to vote on every company represented in its investment portfolio anywhere in the world. The Fund continues to engage directly with a number of company managements where there have been specific issues to discuss in terms of good governance and social responsibility. This engagement is conducted through the LAPFF where deputy chairmen Ian Greenwood remains a very active member. During the course of this financial year the panel decided to add the quarterly engagement report, which is produced by LAPFF as a separate agenda item for the quarterly meetings which has further raised awareness of the issues surrounding corporate governance.

New Panel members

The experience of the investment panel remains a significant benefit to the fund and ensures that investment decisions are reviewed and monitored to the highest standards and the scheme continues to operate with high standards of governance. During any financial year it is usual for some members of the panel to leave and to be replaced with new faces. During the period we welcomed Doug Meeson who replaced David Smith as the West Yorkshire Directors of Finance representative, other changes previously highlighted in this report were Councillor Slater being replaced by Councillor Andrew Thornton as Chair and the retirement of long term panel member Councillor Howard Middleton

Investment performance

Investment performance of the fund is independently measured by the WM Performance Services, and as detailed above the company provided a formal review of performance during the July panel meeting. The investment approach adopted by the panel is to take a genuinely long-term investment view, which is consistent with the long-term nature of the liabilities of the fund. It is however still relevant to monitor investment performance over the short term as well. Over the year to December 2015 (which is the most recent time period available at the time of writing), the fund returned 3.9% this compares with 3.3% for the scheme's specific benchmark, the fund remains ahead of this benchmark over one, three, five and ten year periods. Against a universe of other local authority fund the fund was ahead of the average over the last calendar year and over the longer period however against this universe the fund is slightly behind over three and five years.

Conclusion

As the new financial year begins the panel will continue to operate to the highest levels of governance and seek to adapt as new best practise emerges, including the challenges and opportunities presented by large scale asset pooling. 2016 is expected to be a particularly busy year with the three-year actuarial valuation taking place from March and the final proposals on asset pooling being submitted in July. Against this background investment decisions will continue to be made with the June referendum on the UK's continued membership of the EU of particular importance from a market volatility standpoint. The investment landscape continues to be a volatile one, with the Chinese economic slowdown, Oil prices, US interest rate policy and an US election all important risk factors that will need to be considered by the panel over the coming months.

Investment management and strategy

The Fund's entire investment portfolio continues to be managed on a day-to-day basis in-house, supported by the Fund's external advisers. Investment strategy and asset allocation are agreed at quarterly meetings of the Investment Panel. There are thirteen professional investment managers and seven administration settlement staff in the in-house investment team.

The in-house investment management costs continue to be the lowest of all local authority pension funds. In 2015/16, the Fund's in-house investment management costs were £10.64 per scheme member, the lowest for all LGPS, compared with the national average for all local authority pension funds of £144.65 for 2014/15.

The Panel adopted a fund-specific benchmark in April 2005, which is reviewed and revised annually. Details of the benchmark currently being used are shown in the Statement of Investment Principles. The benchmark represents the optimal investment portfolio distribution between asset classes to bring WYPF up to 100% funding in accordance with the principles outlined in the Funding Strategy Statement. The Panel does however make tactical adjustments around the benchmark for each asset class within a set control range.

The volatility in markets over the last year, which is covered in more detail in the following sections, provided the investment Panel with opportunities to allocate investment into equities, bonds and private equity during the year. The investment in hedge and currency funds was further reduced during the year. The Fund holds 1.1% in cash. The return on cash balances remains at a historic low.

Voting policy

The Fund will vote on resolutions put to the Annual and Extraordinary General Meetings of all companies in which it has a shareholding. The basis of the voting policy is set out in the Fund's Statement of Investment Principles. Full details of the voting policy is also available for viewing on the Fund's website, as are details of the Fund's voting activity at companies' Annual General and Extraordinary General Meetings.

Custody of financial assets and stock lending

HSBC provides custodial services to the Fund and are responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaim, stock lending, general custodial services and other administrative actions in relation to all the Fund's fixed-interest and equity shareholdings, with the exception of private equity and properties.

Investment performance

The Fund had a reduction in value of -0.3% in 2015/16, 0.2% below the return on the fund-specific benchmark of -0.1%. The average return for all local authority pension funds is 0.2%, this positioned the Fund in the 53rd percentile of the local authority universe.

The Fund's long-term investment performance continues to be good. WYPF's average annualised return over the last three years was 5.3%; over the last five years it was 6.3%; and over the last ten years it was 5.8%. The benchmark figures were 5.3%, 6.3% and 5.5%. The respective average returns for local authority pension funds are 6.4%, 7.1% and 5.6%, which on a league table basis places WYPF in the 81st, 80th and 30th percentile over these periods. The longer-term out-performances against the local authority average have been achieved from both asset allocation and consistent good stock selection. This positive contribution from stock selection demonstrates the excellent work of the in-house investment management team.

UK Equities

The UK equity portfolio valued at £3,700m continues to be the largest single asset class representing 33.1% of the total portfolio. UK equities are an important driver of returns for the Fund. Historically they achieve greater returns than UK government bonds, provide protection from inflation and are based in sterling. Over the long term they offer the growth and income required to meet the fund's rising liabilities. The UK equity portfolio generated dividend income in excess of £144m over the year which was predominantly used to pay pension liabilities and reinvest in other asset classes.

UK equity market performance

The UK equity market returned a disappointing 3.9% loss over the year to 31 March 2016. This is the first annual decline since 2009 and comes after 3 very strong consecutive years. Over the 10 years to 31 March 2016 the annualised return on the FTSE All Share index was 4.7% pa. This is despite the period encompassing the 2008 global market crises and this last disappointing year.

Over the long term the WYPF UK equity portfolio has outperformed the benchmark, returning an annualised 5.1% pa over the 10 years. This has been achieved by consistently good stock selection, and carefully balanced exposure to sectors offering high yield or sustainable growth.

UK equity dividend yield

The FTSE100 index was unable to maintain the record high of 7103 reached in April 2015. However, much of the recovery in the index since 2008 remains intact. The UK equity market continues to return a relatively high dividend yield of 3.8% compared to other global equity markets, as this is cash returned to the investor it is not included in the value of the index.

FTSE 100 Index 1 April 2006 to 31 March 2016

Industry returns

Across the UK market there was a wide variance of returns. As discussed below this has been a negative year for oil stocks. Oil equipment and services fell particularly heavily, by 21% as oil companies slashed costs. Miners fell 30% as commodities were also hit heavily. Auto stocks fell 17% mainly on the back of the VW emissions testing scandal. Banks continue to struggle and fell 25% as they make progress on their long term rehabilitation, furthermore emerging market weakness was a drag on the international banks.

It was by no means all negative, there were many positive sectors. Computer software returned 34%, tobacco stocks had another stellar year gaining 26%. Non-life insurance increased 25%, robust house prices lead to gains of 21% in the house builders. Food producers gained 19% on better pricing power with retailers and lower raw material prices. Beverages, Construction, Utilities and general industrials all gained in excess of 10%.

Corporate actions

The two biggest corporate actions over the year were the Royal Dutch Shell takeover of BG for which shareholders received part cash and part new shares in RDS and the ongoing takeover of SAB Miller by AB InBev. The WYPF received £21m cash and RDS shares to the value of £37m in respect of its BG holding. The fund is expected to receive £55m in cash in respect of the holding in SAB Miller on completion of the takeover.

2015 Elections

The last year has been politically eventful; the general election in May had been widely forecast to result in a hung parliament and possibly another coalition administration. However the result was decisive and a new Conservative government were elected.

Within weeks of the election there was a summer budget, a further budget/autumn statement in November and a third budget in March 2016. The three budgets confirmed the Chancellor's commitment to his austerity strategy for debt reduction. Strong lobbying has deflected two controversial proposals to cut disability benefits and restrict tax relief on pension contributions. The chancellor has had some success in reducing the current account deficit to £74bn this year, but missed his revised budget for the year and his planned reduction in UK debt as a share of GDP which rose from 83.3% to 83.5% over the year.

Gross domestic product

GDP continued to grow, by 2.1% over the year, however industrial production remains weak, the service sector continues to drive growth in the UK. Unemployment continued to fall ending at 5.1% earnings are now rising faster rate than inflation, resulting in real increases in disposable income. A National Living Wage of £7.20 per hour or above for those over 25 came into effect in April 2016 which will further increase disposable income.
New savings products designed for house and pension provision were announced which offer generous terms to assist the young to join the housing ladder and provide for retirement.

UK interest rate

The abnormally low base rate of 0.5% has been maintained since 2009. The first inflationary pressures since 2014 were recorded in Q1 2016, however the UK economy does not look strong enough to require the monetary brake to be applied yet. The outstanding £375bn of quantitative easing must also be addressed.

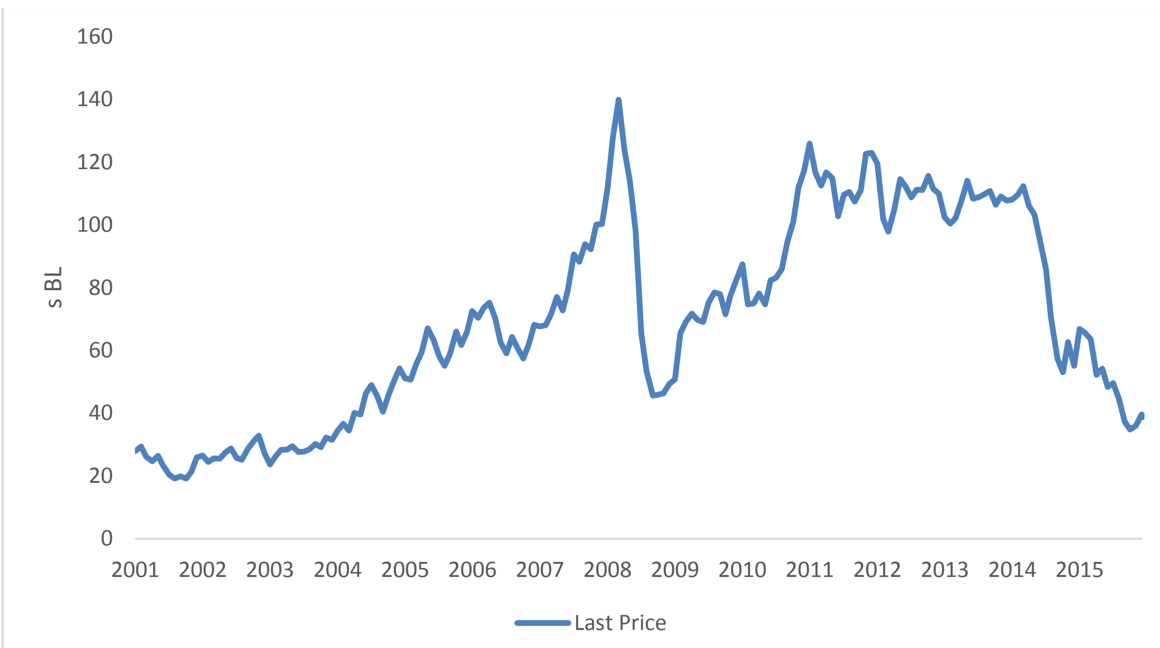
Following repeated attempts to agree new terms for the UK in relation to its membership of the European Union the Prime Minister announced that a referendum will be held to decide if the UK will remain a member of the EU. The possibility of BREXIT would be significant for the UK and the remaining stability of the EU. At present the prospective ramifications somewhat eclipse all other UK domestic economics and policy.

Slowing growth in emerging markets continues to drag on UK growth and exports, further uncertainty due to the BREXIT situation will also weigh on the UK economy.

Turmoil in Oil Prices

The recent plummet in oil price has been extreme and has had a direct impact on markets, companies and households. However as is illustrated below this fall could be viewed as a return to levels seen over the longer term. The world has over recent years become accustomed to ultra-high oil prices. What is damaging is not just the overall level but the volatility in oil price.

Brent Oil Price 01/04/2001 to 31/03/2016



Following the well-publicized collapse in oil prices in 2014/15, the oil price continued to move lower in 2015/6. The price per barrel of Brent Crude oil ended the financial year at $39.6, falling from $55.1 over the 12 month period.

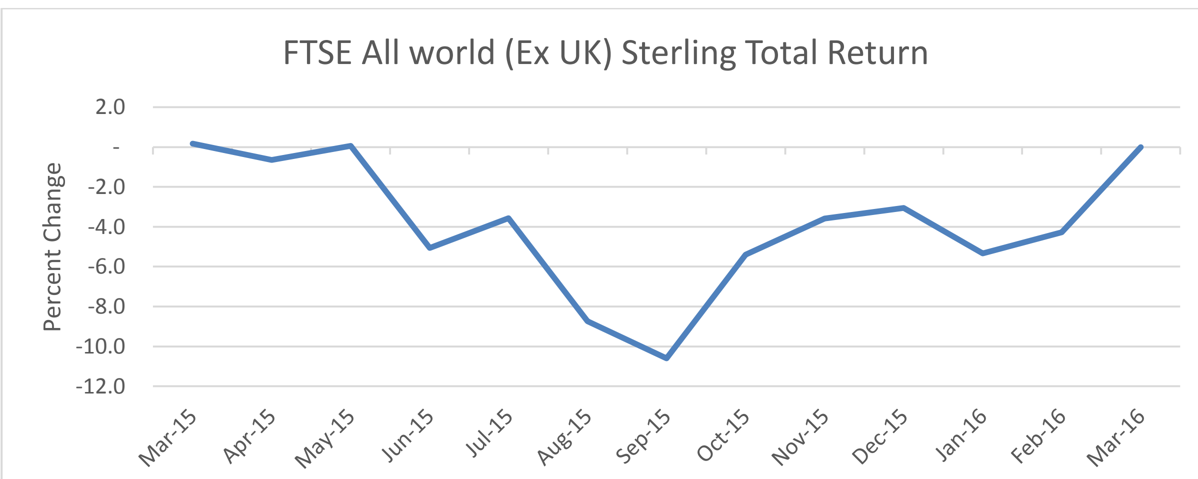
The turmoil in the oil markets was the result of ongoing political and economic issues worldwide, such as conflict in the Middle East, a slowdown in demand from China, and a huge oversupply of oil as the OPEC producers were reluctant to cut supplies. The glut is further increased by the lifting of sanctions against Iran, who immediately started exporting 400,000 barrels per day, and have stated an intent to continue to increase this in due course. The volatility in the oil price reduced in the first quarter of 2016, with hopes for a recovery over the next two years looking more promising. The supply of oil should gradually fall as exploration spending has been cut considerably in response to the lower oil price. However the timing and scale of any recovery remains unpredictable and it seems very unlikely that oil will return to the highs of over $100 seen in the previous five years. The Fund receives a very large dividend income from the major oil companies, who have been able to maintain payments thus far, despite the oil price fall.

UK equity market volatility

A period of volatility is expected on the UK equity market ahead of the referendum and until the oil price has stabilized. Longer term the economic recovery both in the domestic and the European economies will add earnings growth. Emerging markets growth may be slowing but is still positive and the UK equity market is particularly exposed to overseas economic activity. The UK equity portfolio is well placed through diversification to both earnings growth and yield.

INTERNATIONAL EQUITIES INVESTMENT MARKETS

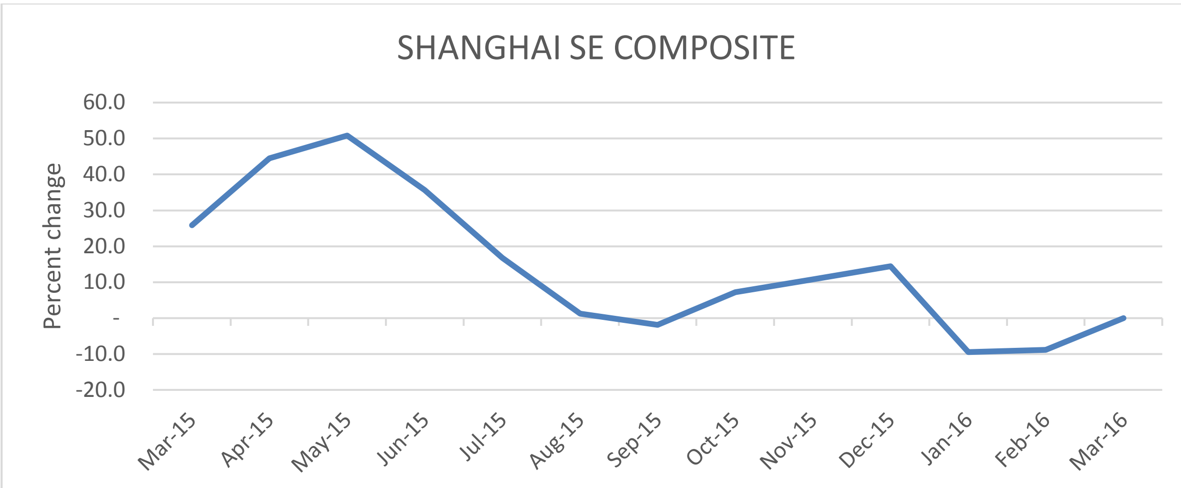
Global equity markets declined slightly over the year with the FTSE World (Ex UK) index returning minus 0.2% in sterling terms, although over the course of the year stock markets were highly volatile. As can be seen from the following chart, the market declined over 10% between May and September, before recovering most of its lost ground by the end of March. The key catalyst for this decline was concern over slowing Chinese growth and the surprise devaluation of the Chinese Yuan in August. On a regional basis only North America made a positive return delivering 3.6% in sterling terms, whilst Europe, Japan and Asia (ex Japan) fell 4.3%, 3.3% and 5.4% respectively, while emerging markets lost 8.9%.



Slower Chinese growth

Chinese economic expansion has been the engine of growth across the world for many years, but this growth, together with the Chinese government's effort to move their economy away from one dependent on capital investment and construction to one driven by domestic consumerism, has had a profound effect on global demand for commodities and world trade in general. Whilst Chinese demand growth tapered off, production of commodities continued to rise leading to an excess of supply and consequent fall in prices. The resulting decline in earnings by commodity producers has been significant and resulted in a reduction to the pace of global economic growth and prompted a corresponding down turn in market sentiment.

In spite of this slowdown in growth and concern over rising levels of debt, the Chinese stock market rose strongly, at one point doubling in value from the previous year. After peaking in June it sold off heavily in spite of the authority's attempts to stem the tide with a slues of market interventions, the most significant being the devaluation of the Yuan. Fear spread and other markets declined in sympathy as investors sold their risky assets in favour of safer ones, such as bonds.



By September, however, the Chinese stock market found its floor and rallied toward December, declined again in February on further commodity related concerns, but finally rallied again in March.

Commodity Prices

At the beginning of the year, many economists expected lower commodity prices to be a blessing, especially with lower fuel prices and the subsequent boost to consumer spending. Whilst this proved to be true to some degree, the World Bank and IMF now consider that the negative impact on commodity exporting countries like Russia and Brazil, ultimately outweighed the benefits. The flow of capital out of commodity dependant countries weakened their currencies and arguably proved detrimental to their economic and financial stability.

Other diversified economies were also affected. In the US, for example, recent years saw oil production through fracking expand significantly and was a significant source of economic growth within the US economy. With oil below $50 per barrel, however, fracking is largely uneconomic and producers have been forced to significantly cut production, capital expenditure, and jobs. The financial vulnerability of many smaller oil companies in the US is now a major source of concern as their ability to service their debts is in doubt. This has consequently impacted the banking sector which raised bad debt provisions and reduced profitability.

Monetary Policies

Another key issue affecting market sentiment, especially in the US, has been the impact of divergent monetary policies across the world. Whilst the European Central Bank, Bank of Japan and Peoples

Bank of China, pursue policies of monetary easing, the US Federal Reserve has moved to tighten. The reason the Federal Reserve has done this is that it believes its economy is now strong enough to grow sustainably without assistance. The labour market in particular appears healthy and the fear is that ongoing low interest rates risk a rise in inflation and over borrowing. However, the US economy is still only growing modestly at between 2% and 3% per annum and speculation that rates would rise caused the dollar to increase in value against other currencies. This in turn dampened overseas earnings of companies and weakened US economic growth. The Fed therefore delayed its planned increase and limited it to just a single raise of 0.25%. Dollar pressure has now eased slightly but the ongoing dominance of monetary easing across the world demonstrates the overall weakness that remains in the global economy.

UK CORPORATE BONDS

Bonds prices have continued to perform strongly over the year. Yields in most sovereign bond markets fell as investors pursued a flight to quality. As economic growth forecasts fall investors look to the relatively safe haven of government bonds. The fall in global bond yields since 2008 has been dramatic and they continue to reach new historic lows. 10 year yields have fallen to 1.4% in the UK, 1.75% in the US, and to just 0.15% in Germany.

Bond performance

UK Gilts returned 3.2% over the year most of which was earned on price appreciation rather than yield. For existing holders of bonds this is advantageous but for investors looking to add exposure to bond markets the yields on offer are increasingly unattractive.

Corporate bonds offer higher yields than government bonds, however the flight to quality has been evident again as investors have moved from corporates into government bonds. Market values have fallen and the spread on investment grade UK corporates over UK gilts has widened from 120bp to 200bp over the year. The UK corporate bond portfolio yields 5.6% which has lessened the impact of the fall in market value.

Bonds with very short maturities have the lowest yield of all and it has been possible to switch out of short maturities realising substantial profits whilst reinvesting in slightly longer maturities which offer a higher yield. In addition indexed linked government and corporate bonds have been sold at substantial profits as these prices seem unsustainable.

Over the last year bond portfolio sales of almost £400m were made to realise profits and reinvest at higher yields.

WYPF increasing commitment to Infrastructure

The WYPF has invested in infrastructure for many years. Investment exposure has in the past been gained by holding investment trusts or unit trusts which provide equity or debt capital for infrastructure activity. At 31st March 2016 these investments were valued at £286m and typically provide high yields ranging from 5% to 8% and are uncorrelated with equity markets therefore also increasing stability of investment returns for the WYPF as a whole. Investment in this asset class will be increased when opportunities arise.

More recently the WYPF has also embarked on direct infrastructure investment within the alternatives portfolio. These new investments are discussed in more detail within the Alternatives report below.

The WYPF current total exposure to Infrastructure is as follows.

Total Infrastructure Investment	£m	% of WYPF
Undrawn Commitments	83	0.7
Currently Invested	307	2.8
Total	390	3.5

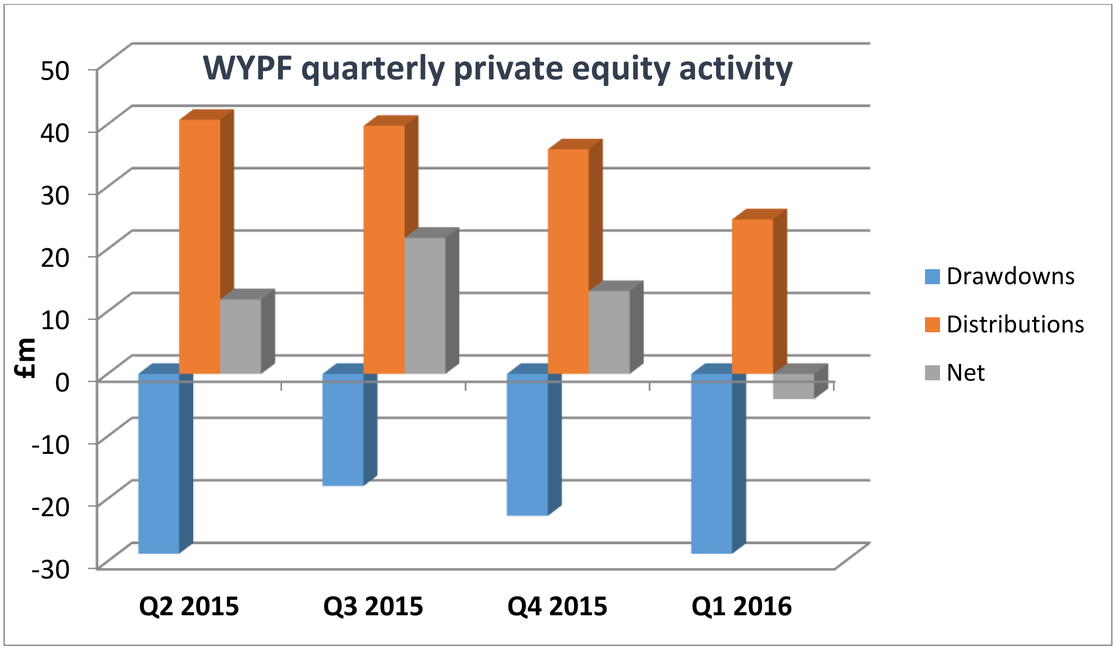
In addition the WYPF has aspirations to increase exposure to infrastructure by £250m within the near term as part of our commitment toward the government's pooling objectives. The weighting in infrastructure would then exceed 5.7% of the overall fund.

ALTERNATIVE INVESTMENTS

During the financial year to 31 March 2016 unlisted Infrastructure investments were separated from the Private Equity portfolio to form a distinct asset class. The comparative prior year figures for private equity that follow will not, therefore, match up with commentary detailed in last year's report and accounts.

Private Equity

The value of private equity deals decreased by approximately 3% globally, in the financial year to 31 March 2016 compared to the prior year. This was in contrast to the WYPF private equity portfolio that saw a 5% increase in cash invested. The value of global private equity backed exits for the same period was 19% lower than the previous year, and at a similar level to that seen in the 12 months to March 2014. However, the WYPF portfolio saw distributions that were 15% higher year-on-year. This followed the 50% year-on-year increase witnessed between financial years 2013/14 and 2014/15. WYPF bucked the trend partly due to the heavy exposure to 2006–07 vintage funds that are now exiting portfolio companies as fund terms near expiry. Lower, but nonetheless strong, fund distributions have led to investors re-committing capital in order to maintain allocations or even grow in some cases. This in turn has led to another robust year for General Partner (GP) fundraising. However, the fund raising market is now more competitive than ever with investors favouring established managers with strong track records. This comes at a time when many investors are wanting to streamline their manager relationships. Fund sizes are therefore increasing whilst committed capital awaiting drawdown remains elevated. This continues to put pressure on GPs to find attractively priced assets, making it a sellers' market. GPs continue to capitalise on the availability of leverage and strong exit markets.



For the year to 31 March 2016, net proceeds received from the WYPF's private equity portfolio amounted to £43.0m overall, compared to £29.8m in the prior year. As a proportion of the WYPF, the weighting of the private equity portfolio was 4.8%, up from 4.3% the previous year; an increase of £47m. The table below shows the currency exposure of the private equity portfolio's undrawn commitments at the start of the period and the cashflows that followed.

Currency denominated funds	% of total net undrawn commitments as at 31.03.16	£m called during 12m period	£m distributed during 12m period	Net £m invested (realised)
EUR	28.3	16.5	60.7	(44.2)
GBP	14.6	26.1	13.1	13.0
USD	57.1	55.6	67.4	(11.8)
Total	**100**	**98.2**	**141.2**	**(43.0)**

Diversification

The WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split between Euro, Sterling and Dollar denominated funds, produced internal rates of return (IRRs) of 23.7%, 19.3% and 10.7% in their local currency. In Sterling, the overall IRR was 20.5% for the year to 31 March 2016, due to Sterling's weakness over the period. The Euro appreciated by nearly 9% against Sterling, resulting in Euro funds producing an aggregate IRR of 34.3% in Sterling.

New commitments made during 2015/16

Commitments during the year were made to the following private equity funds:

Private equity fund	WYPF Commitment
	£m
Palatine Private Equity Fund III	13.0
BlackRock co-investment mandate	15.0
NB Strategic Co-Investments Partners III LP	16.8
Genstar Capital Partners VII Fund	19.0
Growth Capital Partners IV Fund	15.0
NorthEdge Capital Fund II	7.2
Lexington Co-Investment Partners IV Fund	32.0
Total	**118.0**

Net undrawn commitments

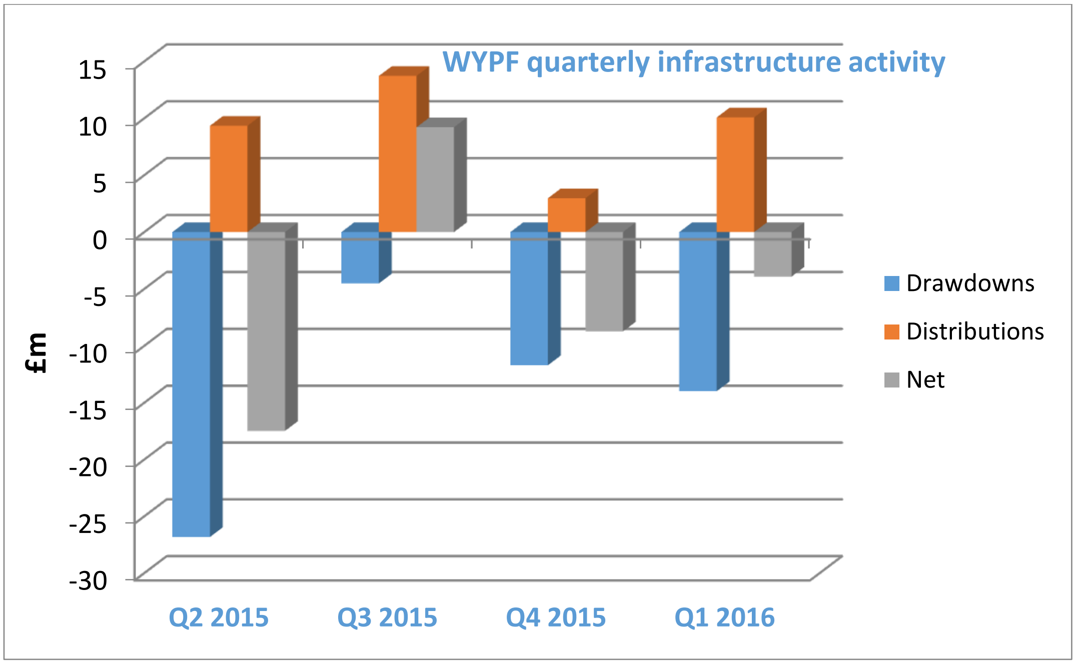
At 31 March 2016, un-drawn commitments amounted to £302.8m. This excludes a further £54.2m of binding commitments made that have yet to reach first close.

Private equity strategy

The strategy and approach for this asset class remains unchanged. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 5% exposure to private equity.

Infrastructure

The value of infrastructure deals globally, in the financial year to 31 March 2016 was similar to the prior year. The WYPF infrastructure portfolio, however experienced a busy year with more than a three-fold increase in drawdowns compared to the prior year. With more than a fifth of total infrastructure commitments made to 2015 vintage funds, this is not unusual. In addition, one of the 2015 vintage funds drew more than 85% of their committed capital during the 12 months to 31 March 2015. This was invested in three UK offshore wind assets. The value of global infrastructure exits for the same period was 12% higher than the previous year. The WYPF portfolio also saw strong distributions, 5.8 times greater than the prior year, mainly from non-UK assets.



For the year to 31 March 2016, net monies invested in the WYPF's infrastructure portfolio amounted to £20.9m overall, nearly double the £10.8m invested in the prior year. As a proportion of the WYPF, the weighting of the infrastructure portfolio, was 1.6%, up from 1.2% the previous year. The table below shows the currency exposure of the infrastructure portfolio's undrawn commitments at the start of the period and the cashflows that followed.

Currency denominated funds	% of total net undrawn commitments as at 31.03.16	£m called during 12m period	£m distributed during 12m period	Net £m invested (realised)
EUR	2.0	0.0	5.4	(5.4)
GBP	55.2	38.9	4.7	34.2
USD	42.8	18.2	26.1	(7.9)
Total	**100**	**57.1**	**36.2**	**20.9**

The WYPF's infrastructure portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split mainly between Sterling and Dollar denominated funds, produced IRRs of 11.8% and 6.6% in their local currency. In Sterling, the overall IRR was 9.2% for the year to 31 March 2016; partly benefiting from Dollar strength over the period. The Dollar appreciated by about 3% against Sterling, resulting in Dollar funds producing an aggregate IRR of 9.3% in Sterling.

Commitments during the year were made to the following infrastructure funds:

Fund	WYPF Commitment (£m)
Resonance Industrial Water Infrastructure Fund	16.8
Falko Regional Aircraft Opportunities Fund, L.P	10.1
TOTAL	**26.9**

At 31 March 2016, un-drawn commitments amounted to £82.9m.

The strategy and approach for this asset class is to build and maintain a global portfolio of infrastructure assets diversifying between social, renewable, economic and opportunistic asset types. Developed markets with stable regulatory regimes and transparent policy frameworks are favoured. The focus is on assets with inflation linked, long duration income streams that are less sensitive to the economic cycle. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 2% exposure to infrastructure.

HEDGE FUNDS

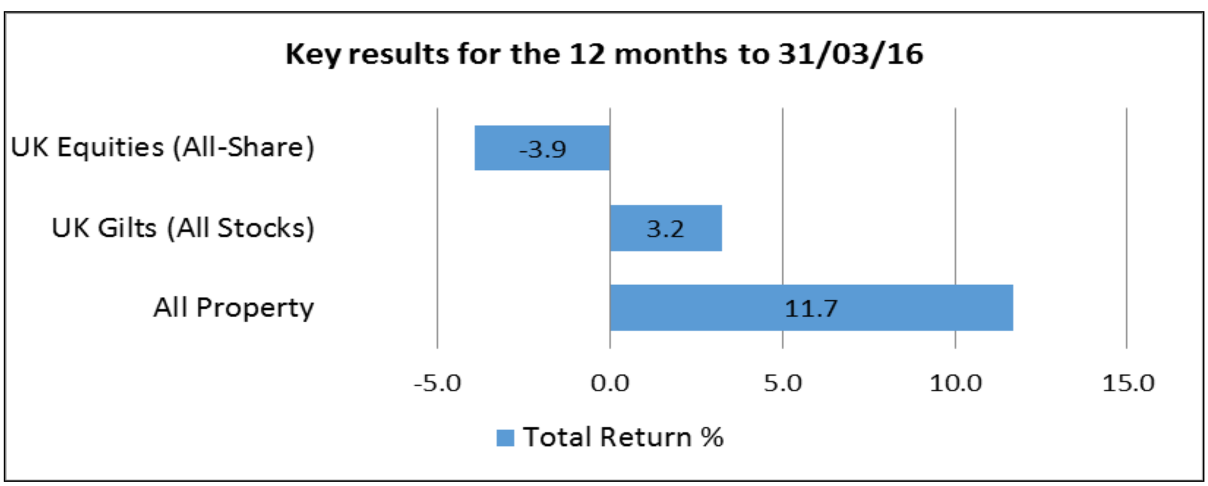
For the twelve months to 31 March 2016, the WYPF's allocation to hedge funds returned minus 2.3% in aggregate. However, this masks varying component returns. The Fund of Funds (FoF) portfolio returned minus 4.3%, which outperformed the HFRI FoF Composite Index (USD) of minus 5.4%. Meanwhile, the single manager hedge fund portfolio returned minus 0.1% (in Dollars), versus minus 7.4% for the HFRX Global Hedge Fund Index (USD). A 3% appreciation in the Dollar over the period meant that the single manager hedge portfolio returned 3.0% in Sterling terms and therefore had a positive impact on overall performance.

The WYPF continues to focus on efficient diversification and fee structures, whilst limiting downside risk and allowing strategy flexibility.

PROPERTY

For the 12 months to 31 March 2016, total returns for the UK direct All Property benchmark amounted to 11.7%. This compares to the WYPF agreed benchmark of the All Pooled Property Funds Index, which returned 10.2%.

Relative to other asset classes, the return for UK Property versus Gilt and UK Equity returns is detailed in the bar chart below.



Source: Bloomberg

Property capital values rose for 34 consecutive months, before declining in March 2016. During this period, capital growth was initially negligible, before accelerating through 2014, stuttering but seeing modest growth through 2015, and eventually slowing and turning negative in early 2016. Capital values are now 26.4% higher than the recent low in April 2013. Much of this improvement was seen in London and South East office markets, along with industrials. WYPF is overweight in offices and industrials located in the South East and underweight in City and West End offices when compared to the All Pooled Property Funds Index.

Retail properties

Yields for high street retail varied the most. Prime (mainly Central London) yields were 4.0%, 0.5% lower than a year ago, whereas good secondary was 6% and relatively unchanged over the year. This contrasts with the 10% yields seen in general secondary and tertiary retail assets. Yields for secondary shopping centres increased by 0.5% to 8.5%.

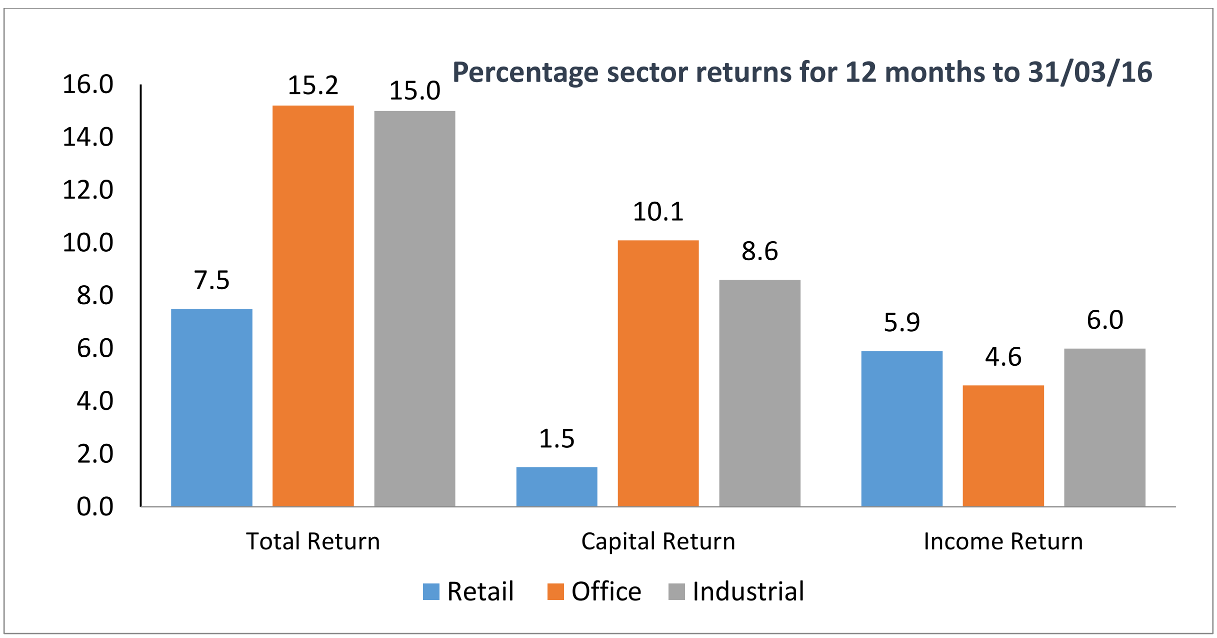
Office properties

Office yields in major regional cities compressed from 5.0% to 4.75%. Secondary yields within similar locations remained unchanged at 6.5%. This contrasts with City and West End prime offices where yields are now as low as 4.0% and 3.3%, respectively.

During the 12 months to 31 March 2016, overall yields for property compressed by roughly 0.3%: comprising 0.2% for retail, 0.3% for offices and 0.4% for industrials. As yield compression peters out, investors are now focusing on income growth and income protection.

Rental growth over the last 12 months was positive for all sectors. The void rate was relatively unchanged over this period, 9.2% compared with 9.3% a year earlier.

Rental growth was skewed to the South East, particularly City and West End offices, with offices and industrials throughout the rest of the UK delivering 3–4% growth. Meanwhile regional high street retail is suffering from either high vacancy levels, little demand or over-renting.



Source: Bloomberg

During the 12 months to 31 March 2016, retail was again the worst performing sub-sector (7.5%). WYPF is underweight in retail but overweight in regional offices compared to its benchmark. It is anticipated that the strong overweight position in regional offices will benefit the portfolio as the yield gap continues to narrow between prime London offices and good secondary regional offices.

Direct property

During the year, an internal procurement process was established to ascertain the best approach to build out a direct property portfolio. These plans were enhanced following George Osborne's statement in July, but later suspended, whilst awaiting the outcome of Project POOL: the amalgamation of 89 Local Authority Pension Funds into six funds.

In the interim, WYPF has invested in a 'fund of one', akin to a segregated account mandate. This fund targets good secondary property assets located in strong regional centres. This investment is intended to expedite exposure to direct property in a way that WYPF can control.

As reported last year, the WYPF has begun investing in direct UK property, whilst targeting an 80:20 split between UK and non-UK property. The rationale for direct investment is to reduce fees and mitigate third party, investor-led liquidity issues, and the forced sale situations experienced after the global financial crisis. Following the Government's proposals to consolidate LGPSs into six pools, it is expected that this migration from indirect to direct property will gradually continue over time. WYPF made property purchases of £52.1m and sales of £14.6m, giving a net investment of £37.5m over the 12 months to 31 March 2016.

Analysis of investments held at 31 March 2016

		Book Cost	Market Value	
		£m	£m	%
Quoted				
Fixed Interest	Public Sector Bonds	589.6	657.2	5.9
	Corporate Bonds	434.5	453.4	4.1
Index Linked	Public Sector	463.4	558.0	5.0
	Corporate	12.9	22.2	0.2
Ordinary & Convertible Shares (Equities)		4,532.4	7,156.2	64.3
Unit Trust	Property	193.4	328.6	3.0
	Other	312.9	617.7	5.6
Fund of Hedge Funds		173.4	228.7	2.0
Unquoted				
Fixed Interest	Corporate Bonds	12.9	19.1	0.2
Ordinary & Convertible Shares (Equities)		27.4	24.8	0.2
Private Equity		441.5	715.6	6.4
Unit Trusts	Property	189.5	214.3	1.9
	Other	0.0	0.1	0.0
Direct Property		6.4	6.5	0.1

Cash Deposits	126.1	126.1	1.1
Total	**7,516.3**	**11,128.5**	**100.0**

UK equity investments by industry at 31 March 2016

	Book cost		Market Value		No of Companies
	£M	%	£M	%	
Oil & Gas Producers	260.2	12.5	348	9.8	17
Oil Equipment & Services	13.5	0.6	13.2	0.4	6
Alternative Energy	3.1	0.1	2.4	0.1	6
Chemicals	12	0.6	28	0.8	7
Forestry & Paper	4.3	0.2	9.4	0.3	1
Mining	137.4	6.6	134.7	3.8	15
Construction & Materials	37.4	1.8	45.5	1.3	8
Aerospace & Defence	30.4	1.5	70.8	2.0	8
General Industrials	10.6	0.5	29.4	0.8	4
Electronic & Electrical Equip.	6.8	0.3	17.1	0.5	8
Industrial Engineering	6.3	0.3	25.5	0.7	8
Industrial Transportation	11.4	0.5	15.2	0.4	5
Support Services	99.2	4.7	180	5.1	36
Automobiles & Parts	5.6	0.3	13.5	0.4	1
Beverages	22.9	1.1	136.2	3.8	2
Food Producers	12	0.6	30.5	0.9	7
Household Goods & Home Const	29	1.4	136.1	3.8	10
Personal Goods	9.3	0.4	88.9	2.5	6
Tobacco	44.2	2.1	209.7	5.9	2
Healthcare Equipment & Services	13.6	0.7	30.3	0.9	7
Pharmaceuticals & Biotechnology	107	5.1	275.3	7.8	15
Food & Drug Retailers	26	1.2	43.5	1.2	5
General Retailers	27	1.3	80.8	2.3	18
Media	85.8	4.1	146.6	4.1	14
Travel & Leisure	89.6	4.3	177.1	5.0	22
Fixed Line Telecommunications	48	2.3	79.6	2.2	1
Mobile Telecommunications	59.8	2.9	90.8	2.6	2
Electricity	10.2	0.5	28.5	0.8	2
Gas Water & Multi utilities	50.6	2.4	118.1	3.3	5
Banks	422.5	20.2	299.4	8.4	9
Nonlife Insurance	28.3	1.4	34.6	1.0	5
Life Insurance	100.5	4.8	168.5	4.8	7
Real Estate Invest & Services	6.5	0.3	10.5	0.3	4
Real Estate Investment Trusts	64.7	3.1	95.2	2.7	15
Financial Services	51.7	2.5	88.7	2.5	15
Equity Investment Instruments	108.3	5.2	181.8	5.1	31
Software & Computer Services	17.8	0.9	34.6	1.0	11

Technology Hardware & Equipment	14.6	0.7	27.6	0.8	5
Other Equities	1	0.0	0	0.0	2
TOTALS	**2089.1**	**100**	**3545.6**	**100**	**352**

Analysis of overseas equity investments as at 31 March 2016

Country	Book cost		Market Value		No of Companies
	£M	%	£M	%	
Australia	135.0	5.8	153.9	4.4	37
Austria	4.2	0.2	5.4	0.2	8
Belgium	9.9	0.4	8.4	0.2	3
Brazil	60.3	2.6	29.1	0.8	37
Canada	37.6	1.6	56.9	1.6	13
Chile	3.9	0.2	2.1	0.1	6
China	107.0	4.6	123.6	3.5	52
Columbia	3.2	0.1	1.3	0.0	2
Denmark	27.7	1.2	66.1	1.9	15
Finland	33.6	1.4	44.9	1.3	17
France	93.8	4.0	155.6	4.4	39
Germany	99.9	4.3	159.8	4.6	36
Greece	6.5	0.3	1.6	0.1	12
Hong Kong	74.6	3.2	98.5	2.8	36
India	0.5	0.0	5.3	0.2	2
Indonesia	14.6	0.6	21.6	0.6	11
Ireland	14.6	0.6	36	1.0	14
Italy	64.3	2.7	67.2	1.9	38
Japan	397.4	17.0	528.8	15.1	90
Korea	54.6	2.3	110.3	3.1	25
Malaysia	21.2	0.9	28.5	0.8	16
Mexico	24.0	1.0	33.6	1.0	22
Netherlands	38.4	1.6	70	2.0	15
Norway	23.2	1.0	32.4	0.9	25
Peru	4.8	0.2	3.8	0.1	3
Philippines	12.8	0.6	23.3	0.7	8
Portugal	6.7	0.3	6.8	0.2	9
Singapore	36.7	1.6	44	1.3	22
South America	2.4	0.1	4	0.1	1
Spain	76.9	3.3	110.5	3.2	28
Sweden	54.3	2.3	85.5	2.4	38
Switzerland	59.6	2.5	167.4	4.8	18
Taiwan	39.4	1.7	56	1.6	28
Thailand	19.8	0.8	39.1	1.1	19
United States	607.3	25.9	1019.1	29.1	116
Other Asian	2.6	0.1	7.4	0.2	1
Other Eastern European	2.3	0.1	5.3	0.2	4

Other International	31.7	1.4	35.7	1.0	16
Other Western European	34.5	1.5	52.9	1.5	8
TOTALS	**2341.8**	**100.0**	**3501.7**	**100.0**	**890**

List of twenty largest holdings at 31 March 2016

	Market Value	% of Total Investment
	£m	**%**
BP	146.15	1.31
HSBC HDG. (ORD $0.50)	140.01	1.26
BRITISH AMERICAN TOBACCO	139.06	1.25
GLAXOSMITHKLINE	130.78	1.18
ROYAL DUTCH SHELL B	112.64	1.01
ASTRAZENECA	94.23	0.85
DIAGEO	83.42	0.75
VODAFONE GROUP	81.72	0.73
BT GROUP	79.64	0.72
ROYAL DUTCH SHELL A(LON)	77.35	0.70
LLOYDS BANKING GROUP	75.89	0.68
RECKITT BENCKISER GROUP	75.81	0.68
IMPERIAL BRANDS	70.69	0.64
UNILEVER (UK)	68.65	0.62
NATIONAL GRID	68.10	0.61
PRUDENTIAL	67.39	0.61
SABMILLER	52.79	0.47
RIO TINTO	46.92	0.42
COMPASS GROUP	45.98	0.41
WPP	43.14	0.39
Total	**1,700.36**	**15.29**

AVC investments

WYPF uses three AVC providers – Equitable Life, Scottish Widows and Prudential. In line with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, AVCs are not included in WYPF's Fund Account and Net Assets Statement.

AVC membership information at 31 March 2016

	Equitable Life	Prudential	Scottish Widows	TOTAL
	£000	**£000**	**£000**	**£000**
Scheme value	£2,772	£9,779	£11,658	£24,209

Scheme members with an AVC policy	Equitable Life	Prudential	Scottish Widows	TOTAL
At 31 March 2016	626	1,585	1,318	3,529
At 31 March 2015 (restated)	691	1,277	1,442	3,410
Members still contributing	45	1,500	392	1,937

AVC membership data for the reporting period 2014/15 has been restated.

WEST YORKSHIRE PENSION FUND

STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31 MARCH 2016

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £9,956.7M) covering 96% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 was:

- 14.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2014, amounting to £26.5M in 2014/15, and increasing by 3.9% p.a. thereafter.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service Scheduled Bodies Admission Bodies	 5.6%.p.a. 5.2% p.a.
Discount rate for periods after leaving service Scheduled Bodies Admission Bodies	 5.6%.p.a. 3.6% p.a.
Rate of pay increases:	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Preparation for the actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

8. This Statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, City of Bradford Metropolitan District Council, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:

http://www.wypf.org.uk/Member/Publications/Valuation/WYPF/Valuation_WYPF_Index.aspx

Aon Hewitt Limited
May 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2016, which comprise the Fund Account, the Net Assets Statement and the related notes.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of City of Bradford Metropolitan District Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of City of Bradford Metropolitan District Council for the year ended 31 March 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Mark Kirkham
For and on behalf of **Mazars LLP**

Mazars House
Gelderd House
Gildersome
Leeds
LS27 7JN

Date: ……. September 2016

STATEMENT OF ACCOUNTS

The City of Bradford Metropolitan District Council (Bradford Council), as administering authority for West Yorkshire Pension Fund, is required to make arrangements for the proper administration of its financial affairs, and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance.

The Director of Finance is responsible for the preparation of the Statement of Accounts, which is required to present fairly the financial position of the Fund at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

In preparing this Statement of Accounts, the Director of Finance has issued a manual on the practices to be adopted in the preparation of the year end accounts. This document sets out arrangements for ensuring the accounts are prepared in a consistent and prudent manner in line with suitable accounting principles.

Fund Account for the year ended 31 March 2016

	Note	31 March 2016	31 March 2015 Restated
		£000	**£000**
Dealings with members, employers and others directly involved in the Fund			
Contributions receivable	1	372,724	368,058
Transfers in	2	20,371	15,670
Non-statutory pensions and pensions increases recharged	3	23,475	23,833
		416,570	**407,561**
Benefits payable	4	-456,101	-437,058
Non-statutory pensions and pensions increase	3	-23,475	-23,833
Payments to and on account of leavers	5	-20,733	-181,468
		-500,309	**-642,359**
Management expenses	8	**-7,499**	**-7,278**
Returns on investments			
Investment income	9	314,619	294,110
Taxes on income		-3,538	-165
Profit and losses on disposal of and changes in value of investments	12	-331,145	896,453
Stock lending	12e	3,008	2,094
Underwriting commission		49	0
Net return on investments		**-17,007**	**1,192,492**
Net increase in the net assets available for benefits during the year		**-108,245**	**950,416**
Opening net assets of the Fund		**11,319,225**	**10,368,809**
Closing Net assets of the Fund		**11,210,980**	**11,319,225**

The 2014-15 Management expenses (£81k) and Investment income (£81k) figures have been restated due to new CIPFA disclosure guidelines which were introduced during the 2015-16 reporting period.

Net Assets Statement at 31 March 2016

	Note	31 March 2016	31 March 2015
		£000	**£000**
Investment assets			
Fixed interest securities	12	1,129,723	1,096,230
Equities (including convertible shares)	12	7,896,646	7,974,012
Index-linked securities	12	580,259	608,117
Pooled investment vehicles	12	1,389,330	1,354,482
Direct Property	12	6,500	6,000
Cash deposits	12	126,100	181,000
Other investment balances	12	40,689	41,056
Investment liabilities			
Other investment balances	12	-5,950	-6,000
Investments		**11,163,297**	**11,254,897**
Current assets			
Debtors	14	50,345	49,384
Cash balances (not forming part of the investment assets)		8,763	25,012
Current liabilities			
Creditors	15	-11,425	-10,068
Net current assets and liabilities		**47,683**	**64,328**
Net assets of the scheme available to fund benefits		**11,210,980**	**11,319,225**

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2016. This financial statement shows the net value of assets owned by the Fund, the actuarial calculation of the present value of promised retirement benefits is provided in note 7.

Signed:

Stuart McKinnon-Evans
Director of Finance
City of Bradford Metropolitan District Council

…………. September 2016

Accounting policies

1. Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2015/16 financial year and its financial position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided by our actuary in note 7.

2. Contributions

Employer contributions are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. Employee contribution rates are set out in section 9, Local Government Pension Scheme Regulations 2013 and are reviewed annually. Employer deficit funding contributions are accounted for on the due dates on which they are payable.

Employers have met the indirect costs of early retirement. These costs are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as a current assets debtors.

3. Transfers in and out of the Fund

Transfer values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations.

Transfers in or out, including bulk transfers, are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

4. Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

5. Management expenses

Total management expense is made up of administration, oversight and governance, and investment management expenses.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All WYPF staff are charged direct to the Fund. Associated indirect management costs and other overheads are apportioned to administrative expenses using relevant factors and charged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. Associated indirect management costs and other overheads are apportioned to oversight and governance activities using relevant factors and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees charged by external advisors and custodian are agreed in the respective mandates governing their appointment. The custodian fees are based on the market value of the investments under their management and therefore increase or reduce as the value of the investments change. The fees of the external advisors increase by RPI on an annual basis.

In addition, the Fund has engaged with WM - State Street Global Services to report on the performance of the Fund.

The cost of the Fund's in-house investment fund management team are charged direct to investment management expense and a proportion of the Fund's management costs which represents management time spent by officers on investment management is also charged investment management expenses.

6. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 7)

7. Cash and cash equivalents

Cash comprises of cash in hand and on demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

8. Investment income

Interest income

Interest due on fixed-interest securities, index-linked securities and short-term investments is accounted for on an accruals basis.

Property related income

Property related income is primarily rental income which is recognised on a straight line basis over the term of the lease. Lease incentives have been recognised as part of the total rental income over the term of the lease.

Dividend income

Dividend income is recognised on the date the shares are quoted ex dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distribution from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the accounting period.

9. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as expense as it arises.

10. Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date with the exception of any assets classified as loans and receivables, which are stated at nominal value.

A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

11. Fair value of financial instruments

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

Valuation methodology

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The methodologies adopted in valuing financial instruments are explained in greater detail in note 15 to the accounts.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful.

Readers of these financial statements are thus advised to use caution when using this data to evaluate the Fund's financial position.

Fair value information is not provided for items that do not meet the definition of a financial instrument.

Loans and receivables

The fair value of deposits is considered to be equal to their carrying value. Receivables are disclosed at their carrying value, and no discounting is performed on amounts receivable in greater than 12 months as this is not considered material.

12. Additional voluntary contributions (AVCs)

West Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.
The Fund has appointed Scottish Widows, Prudential and Equitable Life as its AVC providers. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (Note 6).

13. Currency translation

At the year end all foreign currency balances are translated into Sterling at exchange rates ruling at the financial year-end and any gains or losses arising are treated as part of the change in market value of investments. During the year foreign currencies are transacted as follows:

a) Foreign currency purchases are translated into Sterling at the actual purchase rate, all commissions are charged as expense to management costs.

b) Proceeds of sales of foreign assets are translated into Sterling

   a. If there have been transactions in the same currency in the last 30 days, then the latest recorded transaction rate is used.

   b. Else the mid-market rate on the date of receipt is used.

c) Purchase of foreign investments are translated into Sterling using the rate at which the foreign currency was purchased or translated to Sterling.

d) Balance of foreign currency income accounts are moved to capital account using the mid-market rate on the date of movement.

e) Dividends from foreign investments are translated into Sterling using the mid-market rate on the date of receipt.

f) When currency is sold we use the actual sale rate and commissions are charged to management expense.

14. Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

15. Netting

A financial asset and a financial liability shall be offset and the net amount presented in the Net Assets Statement when and only when, the Fund:

a) Currently has a legally enforceable right to set off the recognised amounts,

And

b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

16. Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in a note 20 to the accounts.

Undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, property and infrastructure parts of the portfolio. The amounts “called” by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

17. Investment transactions

Investment transactions occurring up to 31 March 2016 but not settled until later are accrued in the accounts.

18. Critical accounting estimates, judgements and assumptions made about the future and other major sources of estimation uncertainty

The preparation of the Fund's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Fund's accounting policies and key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Fund's results and financial position, are explained below.

a) Fair value of financial instruments

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 19. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

b) Retirement benefit obligations

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note in note 7 and does not comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in note 7.

19. Events after the Balance sheet

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Two types of events can be identified:

a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period)

b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period)

There have been no such events since 31 March 2016, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Note to the accounts

1. Contributions receivable

		2015/16	2014/15
By category		**£000**	**£000**
	Employers	262,685	259,528
	Employees	110,039	108,530
Total		**372,724**	**368,058**
By type of employers		**£000**	**£000**
	Administering Authority	48,289	49,791
	Scheduled bodies	283,909	281,946
	Admitted bodies	40,526	36,321
Total		**372,724**	**368,058**
By type		**£000**	**£000**
	Employees normal contributions	105,659	104,965
	Employees additional contributions	4,380	3,565
	Employer's normal contributions	242,691	239,617
	Employers deficit contributions	19,994	19,888
	Employers augmentation contributions	0	23
Total		**372,724**	**368,058**

Employers' contribution rates and deficit contributions

At the triennial valuation (31 March 2013) the Actuary calculated an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1 April 2014, and there are several tiered employee contribution rates. For 2015/16 the rates start at 5.5% payable by employees with salaries up to £13,500 a year, and the highest rate is 12.5% to be paid on salaries over £151,800 a year.

Additional voluntary contributions

The Fund has made provision for employees to make additional voluntary contributions (AVCs) under AVC Schemes with Equitable Life, Scottish Widows and Prudential. All contributions by employees to the AVC schemes are made direct to Equitable Life, Scottish Widows and Prudential, further details of which are shown in note 6.

2. Transfers in from other pension funds

	2015/16	2014/15
	£000	**£000**
Individual transfers in from other schemes	20,371	14,670
Bulk transfers in from other schemes	0	1,000
Total transfers in	**20,371**	**15,670**

3. Non-statutory pensions increase and recharges

	2015/16	2014/15
	£000	**£000**
Pensions	23,475	23,833
Lump sums	0	0
Total	**23,475**	**23,833**

The costs of added years granted by participating employers for early retirement together with associated inflation proofing costs are reimbursed to the Fund, by the employer. Costs of annual inflation proofing for non-participating employers are also recharged.

4. Benefits payable

	2015/16	2014/15
	£000	**£000**
Pensions		
Funded pensions – retired employees	-330,091	-314,890
Funded pensions – dependants	-27,799	-27,198
Total pensions	**-357,890**	**-342,088**
Lump sums		
Funded lump sums on retirement	-87,235	-85,377
Funded lump sums on death	-10,976	-9,593
Total benefits paid in year	**-456,101**	**-437,058**
Benefits payable by type of employers		
Pensions		
Administering Authority	-67,904	-68,368
Scheduled bodies	-298,792	-310,113
Admitted bodies	-45,181	-43,110

Other interested bodies with no pensionable employees	-44,224	-15,467
Total pensions	**-456,101**	**-437,058**

For participating employers, all basic pensions plus the costs of annual inflation are met from the assets of the Fund.

5. Payments to and on account of leavers

	2015/16	2014/15
	£000	**£000**
Refund of contributions	-979	-452
Individual transfers	-18,205	-10,763
Bulk transfers	-1,549	-170,253
	-20,733	**-181,468**

In the reporting period 2014/15 the Greater Manchester Pension Fund (GMPF) was chosen by the Ministry of Justice to administer the LGPS in respect of the National Probation Service, for this reason a bulk transfer of liabilities (£170m) relating to the Probation Service was made to GMPF.

6. AVC Scheme – Equitable Life, Scottish Widows and Prudential

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Equitable Life Assurance, Scottish Widows and Prudential, whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.

As advised by the three companies the amounts administered under AVC arrangements are as follows:

	2015/16	2014/15
	£000	**£000**
Value of funds at 1 April	24,282	21,879
Contributions received	4,604	4,304
Transfers and withdrawals	43	32
Internal transfers	0	0
Interest and bonuses/change in market value of assets	-79	2,081
Sale of investments to settle benefits due to members	-4,641	-4,253
Value of funds at 31 March	**24,209**	**24,043**

AVC investments by providers	Active members	Members 2015/16	Members 2014/15	2015/16	2014/15
				£000	**£000**
Equitable Life	45	626	691	2,772	3,003

Prudential	1,500	1,585	1,277	9,779	8,257
Scottish Widows	392	1,318	1,442	11,658	12,783
Total	**1,937**	**3,529**	**3,410**	**24,209**	**24,043**

7. Actuarial present value of promised retirement benefits

Introduction

The Fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the Fund as a whole.

The Fund provides defined benefits, which for membership to 31 March 2016, are based on members' Final Pensionable Pay.

The required valuation is carried out by the Fund Actuary, Aon Hewitt, using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (Actuarial statement on p68).

The information set out below relates to actuarial present value of the promised retirement benefits in the Fund.

Actuarial present value of promised retirement benefits

Paragraph 6.5.2.7 of CIPFA's Code of Practice on local authority accounting for 2013/14 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2013 together with the 2010 figures are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

	31 March 2013	31 March 2010
	£m	**£m**
Fair value of net assets	9,940.30	7,916.91
Actuarial present value of the promised retirement benefits	12,259.30	11,726.54
Surplus / (deficit) in the Fund as measured for IAS26 purposes	**-2,319.00**	**-3,809.63**

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2013. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2013	31 March 2010

	% p.a.	% p.a.
Discount rate	4.5	5.5
RPI Inflation	3.4	3.9
CPI Inflation	2.4	3.0
Rate of increase to pensions in payment*	2.4	3.9
Rate of increase to deferred pensions*	2.4	3.9
Rate of general increase in salaries **	3.9	5.4

* *In excess of Guaranteed Minimum Pension increases in payment where appropriate*

** *In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013.*

The assumptions to which the actuarial present value of promised retirement benefits are most sensitive are the discount rate, net of pay and pension increases, and the longevity improvement assumption.

Principal demographic assumptions

Post retirement mortality	31 March 2013	31 March 2010
Males		
Base table	Standard SAPS Normal Health All Amounts (S1NMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	22.5	21.7
Future lifetime from age 65 (currently aged 45)	24.7	23.6
Females		
Base table	Standard SAPS Normal Health All Amounts tables (S1NFA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	100%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	25.4	23.9

Future lifetime from age 65 (currently aged 45)	27.7	25.9

* *A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.*

** *The scaling factors shown apply to normal health retirements.*

	31 March 2013	31 March 2010
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service is 75% of the permitted maximum.	Each member is assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement for additional lump sum.
Changes in benefits during the accounting period	**There have been no changes in benefits during the accounting period. No allowance has been made in our calculations for the new Scheme benefits accruing from 1 April 2014.**	

8. Management expenses

	2015/16	2014/15 Restated
	£000	**£000**
Administration costs	-3,818	-4,054
Investment management expenses	-2,998	-2,580
Oversight and Governance	-683	-644
Total	**-7,499**	**-7,278**

2014/15 Investment management figure has been restated due reclassification of direct property cost £81k.

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Investment management expenses above includes £32k in respect of performance related fees paid (2014/15 £24k) and also a statutory audit fee of £48k (2014-15 £48k). No other fees have been paid to the external auditor.

9. Investment income

	2015/16	2014/15 Restated
	£000	£000
Income from fixed interest securities	41,343	39,016
Dividends from equities	246,768	229,428
Income from index-linked securities	5,451	6,963
Income from pooled funds	19,408	16,653
Income from Direct Property	415	67
Interest on cash deposits	1,234	1,983
Total	**314,619**	**294,110**

Investment income 2014/15 has been restated due to new CIPFA guidelines relating to management costs, some costs that were previously charged against investment income have now been charged to management costs.

a) Analysis of Investment income accrued

	2015 Restated UK	2016 UK	2015 Restated NON UK	2016 NON UK	2015 Restated GLOBAL	2016 GLOBAL	2015 Restated TOTAL	2016 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Fixed Interest Securities	8,241	9,703	1,924	1,964	0	0	10,165	11,667
Equities	20,532	24,668	328	1,135	0	0	20,860	25,803
Index Linked Securities	1,661	245	198	95	0	0	1,859	340
Pooled Investment Vehicles	0	0	0	0	0	0	0	0
Direct Property holdings	67	311	0	0	0	0	67	311
Cash and cash equivalents	482	396	0	0	32	0	514	396
Total	**30,983**	**35,323**	**2,450**	**3,194**	**32**	**0**	**33,465**	**38,517**

Investment income accrued for 2014/15 has been restated to provide the data in line with the asset classes used within the financial statements.

10. Investment Expenses

	2015/16	2014/15
	£000	£000

Internal management costs	-2,573	-2,172
Custody fees	-425	-408
Total	**-2,998**	**-2,580**

11. Direct Property Holdings

	2015/16	2014/15
	£000	£000
Opening balance	6,000	0
Additions:		
Purchases	25	6,387
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net increase / decrease in market value	475	-387
Other changes in fair value	0	0
Total	**6,500**	**6,000**

12. Investments

Movement in the value of investments in 2015/16

	Opening Value at 01.04.15	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.16
	£000	£000	£000	£000	£000
Fixed interest securities	1,096,230	240,122	-195,662	-10,967	1,129,723
Equities	7,974,012	706,523	-434,945	-348,944	7,896,646
Index-linked securities	608,117	124,716	-153,779	1,205	580,259
Pooled funds	1,354,482	72,825	-65,063	27,086	1,389,330
Direct Property	6,000	25	0	475	6,500
Cash deposits	181,000	0	-54,900	0	126,100
Other investment debtors	41,056	0	-367	0	40,689
Other investment creditors	-6,000	50	0	0	-5,950
Total	**11,254,897**	**1,144,261**	**-904,716**	**-331,145**	**11,163,297**

Comparative movement in the value of investments in 2014/15

	Restated Opening Value at 01.04.14	Purchases Cost	Sales Proceeds	Restated Change in MV	Closing Value at 31.03.15
	£000	£000	£000	£000	£000
Fixed interest securities	956,929	309,177	-240,453	70,577	1,096,230

Equities	7,162,619	555,215	-367,248	623,426	7,974,012
Index-linked securities	598,625	80,563	-156,113	85,042	608,117
Pooled funds	1,189,911	249,519	-202,743	117,795	1,354,482
Direct Property	0	6,387	0	-387	6,000
Cash deposits	318,967	0	-137,967	0	181,000
Other investment debtors	87,526	0	-46,470	0	41,056
Other investment creditors	-7,675	1,675	0	0	-6,000
Total	**10,306,902**	**1,202,536**	**-1,150,994**	**896,453**	**11,254,897**

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 the sale of investments during the year.

a. Investments analysis by security type

	2015/16	2014/15
	£000	**£000**
Fixed interest securities:		
Public sector quoted	657,199	624,515
Other quoted	453,431	444,632
Unquoted	19,093	27,083
Total Fixed Interest Securities	**1,129,723**	**1,096,230**
Equities:		
Quoted	7,156,337	7,346,627
Unquoted	740,309	627,385
Total equities	**7,896,646**	**7,974,012**
Index linked securities:		
Public sector quoted	558,032	567,020
UK other quoted	22,227	41,097
Total index linked securities	**580,259**	**608,117**
Managed and unitised funds:		
Hedge funds	228,660	258,655
Property	542,902	474,834
Other	617,768	620,993
Total managed funds	**1,389,330**	**1,354,482**
Direct Property	**6,500**	**6,000**
Cash deposits	**126,100**	**181,000**
Other Investment assets	**40,689**	**41,056**
Other Investment liabilities	**-5,950**	**-6,000**
Total	**11,163,297**	**11,254,897**

The table shown above is a combination of all West Yorkshire Pension Fund Uk and Overseas assets.

b. Geographical analysis of investments held as at 31 March 2016

	2016 UK	2016 Non UK	2016 Global	2016 Total
	£m	£m	£m	£m
Fixed Interest Securities	891.3	238.4	0.0	1,129.7
Equities	3,790.5	3,576.9	518.8	7,886.2
Index Linked Securities	522.9	57.4	0.0	580.3
Pooled Investment Vehicles	687.3	483.8	228.7	1,399.7
Property (direct holdings)	6.5	0.0	0.0	6.5
Cash and cash equivalents	126.1	0.0	0.0	126.1
Total	**6,024.6**	**4,356.5**	**747.5**	**11,128.6**

c. Comparative geographical analysis of investments held as at 31 March 2015

	2015 UK	2015 Non UK	2015 Global	2015 Total
	£m	£m	£m	£m
Fixed Interest Securities	869.7	226.5	0.0	1,096.2
Equities	3,973.6	4,000.5	0.0	7,974.1
Index Linked Securities	551.5	56.6	0.0	608.1
Pooled Investment Vehicles	397.6	482.1	474.8	1,354.5
Property (direct holdings)	6.0	0.0	0.0	6.0
Cash and cash equivalents	181.0	0.0	0.0	181.0
Total	**5,979.4**	**4,765.7**	**474.8**	**11,219.9**

d. Concentration of investments

Statement of Recommended Practice for Pension Funds (SORP) and Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investment exceeds 5% of the value of the scheme.

Those which exceed 5% of a class of security are listed below:

	2015/16	2014/15
	£000	**£000**
Fixed interest securities		
Treasury 3.25% 2044	56,836	56,965
Index linked securities		
Treasury 2020	n/a	42,234
Treasury 2022	35,280	35,674
Treasury 2024	35,367	35,471
Treasury 2026	41,144	n/a
Treasury 2029	93,397	71,001
Treasury 2030	n/a	34,305
Treasury 2034	58,241	52,711
Treasury 2040	39,026	38,687
Treasury 2044	38,945	43,603
US Treasury 2042	37,745	n/a
Managed and unitised funds		
Aurum ISIS Sterling Fund	77,644	78,192
QIP Ltd	83,249	86,081
Direct Property	6,500	6,000

n/a=no investments

e. Stock lending

	2015/16	2014/15
	£000	**£000**
UK stock lending		
Income - fixed interest	52	51
Income - UK equities	1,020	737
Overseas equities	1,993	1,358
	3,065	**2,146**
Less - costs	-57	-52
Total	**3,008**	**2,094**

At 31 March 2016, £915.0 million of stock was on loan to market makers, (31 March 2015 £631.4m) and this was covered by collateral totalling £974.0 million, (31 March 2015

£702.8m). The collateral comprised of UK & International Government Bonds £362.2m, (31 March 2015, £202.3m) International Equities £411.5m, (31 March 2015, £267.4m), UK Equities £199.8m, (31 March 2015 £233.1m), Cash £0.3m (31 March 2015 £0m) and Certificates of Deposit £0.4m (31 March 2015, £0.1m). All our securities out on loan are fully indemnified by HSBC our custodian.

13. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading.

31 March 2016	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities	Total financial assets / liabilities
Financial Assets	**£000**	**£000**	**£000**	**£000**
Fixed interest securities	1,129,723	0	0	1,129,723
Equities	7,896,646	0	0	7,896,646
Index-linked securities	580,259	0	0	580,259
Pooled investment vehicles	1,389,330	0	0	1,389,330
Cash deposits (Investments)	0	126,100	0	126,100
Cash balances (not forming part of the investment assets)	0	8,763	0	8,763
Other investment balances	40,689	0	0	40,689
Debtors	0	50,345	0	50,345
Total financial assets	**11,036,647**	**185,208**	**0**	**11,221,855**
Financial Liabilities				
Other investment balances	-5,950	0	0	-5,950
Creditors	0	0	-11,425	-11,425
Total financial liabilities	**-5,950**	**0**	**-11,425**	**-17,375**

All net gains or losses on financial instruments are on those classified as financial assets at fair value through profit or loss.

31 March 2015	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities	Total financial assets / liabilities
Financial Assets	**£000**	**£000**	**£000**	**£000**
Fixed interest securities	1,096,230	0	0	1,096,230
Equities	7,974,012	0	0	7,974,012
Index-linked securities	608,117	0	0	608,117
Pooled investment vehicles	1,354,482	0	0	1,354,482
Cash deposits (Investments)	0	181,000	0	181,000
Cash balances (not forming part of the investment assets)	0	25,012	0	25,012

Other investment balances	41,056	0	0	41,056
Debtors	0	49,384	0	49,384
Total financial assets	**11,073,897**	**255,396**	**0**	**11,329,293**
Financial Liabilities				
Other investment balances	-6,000	0	0	-6,000
Creditors	0	0	-10,068	-10,068
Total financial liabilities	**-6,000**	**0**	**-10,068**	**-16,068**

f. Financial instruments – valuation

Valuation of financial assets carried at fair value.

The valuations of financial assets have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Financial assets classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.

Level 2

Level 2 valuations are those where quoted market prices are not available, for example where the financial asset is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Financial asset classified as level 2 are property funds.

Valuations for Property Funds are provided by Fund managers and where available closing bid price is used. Property valuations are normally undertaken by the Property Trusts' own valuers. The values disclosed in the financial statements are extracted from valuation statements issued by the Property Trust. Valuations are performed in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation Standards (The Red Book), or the international equivalent.

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture

Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of investments in Fund of Hedge Funds are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain assurance over valuations provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.

The table below provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's Net Asset Statement, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Valuation hierarchy

31 March 2016	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit or loss	9,550	543	944	**11,037**
Loans and receivables	126	0	0	**126**
Total financial assets	**9,676**	**543**	**944**	**11,163**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-6	0	0	**-6**
Total financial liabilities	**-6**	**0**	**0**	**-6**

31 March 2016	Restated Level 1	Level 2	Level 3	Restated Total
Financial assets at fair value through profit or loss				
Loans and receivables	9,686	475	913	**11,074**
Total financial assets	181	0	0	181
Financial liabilities	**9,867**	**475**	**913**	**11,255**
Financial liabilities at fair value through profit or loss				
Total financial liabilities	-6	0	0	-6
	-6	**0**	**0**	**-6**

Financial assets at fair value through profit and loss 2014/15 has been restated to include other investment balances

14. Current assets -Debtors

Debtors

	2015/16	2014/15
	£000	**£000**
Contributions due from employers	26,382	26,420
Other Debtors	23,963	22,964
	50,345	**49,384**
By type of body:		
Central government bodies	55	74
Other local authorities	42,959	41,886
NHS bodies	55	80
Public corporations and trading funds	1,161	1,393
Bodies external to general government	6,115	5,951
	50,345	**49,384**

15. Current liabilities

Creditors

	2015/16	2014/15
	£000	**£000**
Unpaid benefits	-6,206	-6,108
Other current liabilities	-5,219	-3,960
	-11,425	**-10,068**
By type of body:		
Central government bodies	-4,247	-3,960
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0

Bodies external to general government	-7,178	-6,108
	-11,425	**-10,068**

16. Related party transactions

In accordance with IAS24 Related Party Disclosures, material transactions with related parties not disclosed elsewhere are detailed below.

Administering body

Bradford Metropolitan District Council is a related party in its role as the Administering Authority for West Yorkshire Pension Fund.

In 2015/16, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £438,136 in respect of support services provided (£605,840 in 2014/15). The support costs for 2015/16 included a full year support for financial, legal and information technology services and a part year charge for accommodation; in December 2014 WYPF purchased their first Direct Property, Aldermanbury House in Bradford and in June 2015 the Fund moved into one of the floors, accommodation costs are therefore no longer paid to Bradford Council.

Employers

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in Section 5 of the Annual report. Contributions in respect of March 2016 payroll are included within the debtors figure in note 14.

UK Central government bodies

The UK Government is a related party as it provides the statutory framework within which the Pension Fund operates. Balances outstanding with the Central government bodies are included within notes 14 and 15.

Members

The metropolitan councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel and the Joint Advisory Group. **Six** of these members are in receipt of pension benefits from the Fund. There have been no material transactions between any member or their families and the Pension Fund.

From 1st April 2014 Councillors were no longer entitled to join the scheme and current councillor members will cease their participation when their current term ends.

Key management personnel

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with City of Bradford Metropolitan District Council, for the supply of goods or services to the Fund.

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £117,964 (2014 £116,145). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31st March 2016 was valued at £19.2m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2015/16. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc, for which he is paid a fee.

17. Nature and extent of risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension Fund risk management programme.

The management of risk is set out in the Fund's Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at the end of this document and also at www.wypf.org.uk

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure that the Fund's investment portfolio, which is managed in-house, agrees with policy and strategy with regard to asset allocation.

The Fund routinely monitors all risks in accordance with the Fund's risk management strategy.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's equity holdings are spread across more than 300 UK companies, and almost 900 foreign companies, and a range of unit trusts and managed Funds.

Risk is controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an Investment Strategy Review for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's actuary.

Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

b) Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

	2015/16	2014/15

Asset Type	Potential Market Movement +/- (%p.a.)	Potential Market Movement +/- (%p.a.)
UK equities	10.4	10.2
Overseas equities	9.6	8.9
UK gilts	6.1	6.0
UK corporate bonds	4.8	5.1
UK index-linked	7.3	7.7
Overseas bonds	9.1	8.8
Alternatives (universe)	4.4	5.3
Property	1.7	3.3
Cash	0.2	0.1

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

This can then be applied to the period end asset mix as follows.

Asset type	Value as at 31 March 2016	Percentage change	Value on increase	Value on decrease
	£000	**%**	**£000**	**£000**
UK equities	4,394,978	10.4	4,852,056	3,937,900
Overseas equities	3,501,668	9.6	3,837,828	3,165,508
UK gilts	488,485	6.1	518,283	458,687
UK corporate bonds	402,815	4.8	422,150	383,480
UK index-linked	522,880	7.3	561,050	484,710
Overseas bonds	295,802	9.1	322,720	268,884
Alternatives (universe)	846,428	4.4	883,671	809,185
Property	549,402	1.7	558,742	540,062
Cash	126,100	0.2	126,352	125,848
Other investment assets	40,689	0.0	40,689	40,689
Other investment liabilities	-5,950	0.0	-5,950	-5,950
Total investment assets	**11,163,297**		**12,117,591**	**10,209,003**

Asset type	Value as at 31 March 2015	Percentage change	Value on increase	Value on decrease
	£000	**%**	**£000**	**£000**
UK equities	3,973,559	10.2	4,378,862	3,568,256
Overseas equities	4,000,453	8.9	4,356,493	3,644,413
UK gilts	475,130	6.0	503,638	446,622
UK corporate bonds	394,612	5.1	414,737	374,487
UK index-linked	551,458	7.7	593,920	508,996
Overseas bonds	283,147	8.8	308,064	258,230
Alternatives (universe)	879,648	5.3	926,269	833,027
Property	480,834	3.3	496,702	464,966

Cash	181,000	0.1	181,181	180,819
Other investment assets	41,056	0.0	41,056	41,056
Other investment liabilities	-6,000	0.0	-6,000	-6,000
Total investment assets	**11,254,897**		**12,194,922**	**10,314,872**

c) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2016	31 March 2015
	£000	**£000**
Cash deposits	126,100	181,000
Cash balances	8,763	25,012
Total	**134,863**	**206,012**

d) Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The assumed interest rate volatility is 100 basis point (BPS) per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100BPS	**-100BPS**
	£0	**£0**	**£0**
Cash deposits	126,100	1,261	-1,261
Cash balances	8,763	88	-88
Total	**134,863**	**1,349**	**-1,349**

Asset type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits

		+100BPS	-100BPS
	£0	**£0**	**£0**
Cash deposits	181,000	1,810	-1,810
Cash balances	25,012	250	-250
Total	**206,012**	**2,060**	**-2,060**

e) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The following table summarises the Fund's currency exposure as at 31 March 2016 and 31 March 2015:

Currency exposure - asset type	Value as at 31 March 2016	Value as at 31 March 2015
	£000	**£000**
Overseas quoted fixed interest securities	238,423	222,798
Overseas unquoted fixed interest securities	0	3,690
Overseas quoted equities	3,501,313	3,556,023
Overseas unquoted equities	355	444,430
Overseas quoted index linked securities	57,379	56,659
Overseas unit trusts	473,380	482,102
Property funds	73,441	46,454
Total overseas assets	**4,344,291**	**4,812,156**

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2014/15 5.6%).

A 6.0% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Asset type	Value as at 31 March 2016	Value on increase	Value on decrease

	£000	£000	£000
Overseas quoted fixed interest securities	238,423	252,728	224,118
Overseas unquoted fixed interest securities	0	0	0
Overseas quoted equities	3,501,313	3,711,392	3,291,234
Overseas unquoted equities	355	376	334
Overseas quoted index linked securities	57,379	60,822	53,936
Overseas unit trusts	473,380	501,783	444,977
Property funds	73,441	77,847	69,035
Total overseas assets	**4,344,291**	**4,604,948**	**4,083,634**

Asset type	Value as at 31 March 2015	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	222,798	235,275	210,321
Overseas unquoted fixed interest securities	3,690	3,897	3,483
Overseas quoted equities	3,556,023	3,755,160	3,356,886
Overseas unquoted equities	444,430	469,318	419,542
Overseas quoted index linked securities	56,659	59,832	53,486
Overseas unit trusts	482,102	509,100	455,104
Property funds	46,454	49,055	43,853
Total overseas assets	**4,812,156**	**5,081,637**	**4,542,675**

f) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition the Fund is fully indemnified by HSBC Securities on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 12.e.

g) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure there are adequate cash resources available to meet its commitments. This will particularly be the case for cash, from the cashflow matching mandates from the main investment strategy to meet pensioner payroll costs, and also cash to meet investment commitments.

18. Contingent liabilities and contractual commitments

At 31 March 2016 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 March 2016	Un-drawn commitments
	£m	£m
Asset class		
Private equity	715.6	440.8
Property funds	542.9	101.8
	1,258.5	**542.6**

At 31 March 2015 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 March 2015	Un-drawn commitments
	£m	£m
Asset class		
Private equity	624.6	445.4
Property funds	480.8	57.2
	1,105.4	**502.6**

19. Accounting Developments

The following accounting standards have been issued but are not applicable for the year ending 31 March 2016.

IFRS 9 Financial Instruments (replacement of IAS 39)

The International Accounting Standards Board completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014.
IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories:

- Fair Value through profit or loss
- Fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets
- Contractual cash flow characteristics of the instruments.

These changes are not expected to have a significant impact on the Fund.

20. Statement of Investment Principles

The West Yorkshire Pension Fund has prepared a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended). Full details of the SIP and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website www.wypf.org.uk.

Internal disputes resolution procedure

With pensions being such a complicated issue at times it's inevitable that occasionally disagreements between members, employers and WYPF arise.

When disagreements do happen we do all we can to try to resolve them informally and reach an agreement.

But this isn't always possible. The scheme provides a formal way for disagreements to be resolved: the Internal Disputes Resolution Procedure.

The Internal Disputes Resolution Procedure is a two-stage process.

Stage 1 gives scheme members a chance to have a disagreement reviewed by either the employer or WYPF, depending on whom the dispute is against. The review will be undertaken by an "adjudicator", specified by the body which was responsible for making the original decision being appealed. The member must apply for a review under Stage 1 within 6 months of the disagreement coming to light.

If the scheme member or their employer is not happy with the outcome of the Stage 1 review, they can refer the matter to the administering authority for review under the procedure's second stage.

If further help is needed?

The Pensions Advisory Service (TPAS) can also help with resolving disputes if both stages of the Internal Disputes Resolution Procedure have not provided an agreement.

The Pensions Ombudsman settles disputes and investigates complaints that TPAS has not been able to settle. The Ombudsman's decision is final and binding on all the parties to a dispute.

Policing pension schemes

The Pensions Regulator was set up following the 1995 Pensions Act. Its main role being to protect pension scheme members'. From 1 April 2015 the Pensions Regulator's remit was extended to cover Public Service Pension Schemes. The Pension Regulator issued a Code of Practice on Governance and administration of Public Service Pension Schemes, which provides practical guidance in relation to the exercise of functions under relevant pensions legislation and sets out standards of conduct and practice expected from those who exercise those functions.

APPENDIX B – FURTHER INFORMATION AND CONTACTS

WYPF's senior management team are:

Director - West Yorkshire Pension Fund

Rodney Barton
Phone: 01274 432317
Fax 01274 437700
E-mail rodney.barton@wypf.org.uk

<u>WYPF Administration</u>
Technical & Development Manager

Caroline Blackburn
Phone 01274 434523
E-mail caroline.blackburn@wypf.org.uk

Business Development Manager

Yunus Gajra
Phone 01274 432343
E-mail yunus.gajra@wypf.org.uk

Service Centre Group Manager

Grace Kitchen
Phone 01274 434266
E-mail grace.kitchen@wypf.org.uk

APPENDIX B – FURTHER INFORMATION AND CONTACTS

Financial Controller

Ola Ajala
Phone 01274 434534
E-mail ola.ajala@wypf.org.uk

WYPF Investments

Chief Investment Officer (UK)

Debra Hopkins
Phone 01274 432318
E-mail debra.hopkins@wypf.org.uk

Chief Investment Officer (UK)

Joanna Wilkinson
Phone 01274 432038
E-mail joanna.wilkinson@wypf.org.uk

Chief Investment Officer (Overseas)

Colin Standish

Phone 01274 432748
E-mail colin.standish@wypf.org.uk

APPENDIX B – FURTHER INFORMATION AND CONTACTS

Our office at Ground Floor Aldermanbury House, 4 Godwin Street in Bradford, is open Monday to Friday between 08.45 and 16.30.

Company information

WEST YORKSHIRE PENSION FUND
[ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL]
ALDERMANBURY HOUSE,
4 GODWIN STREET
BRADFORD
BD1 2ST
United Kingdom
PHONE - 01274 434999 www.wypf.org.uk

Glossary of terms

A

Active member
An employee who is currently paying pension contributions.

Actuarial valuation
West Yorkshire Pension Fund's actuary carries out an actuarial valuation every three years and recommends the level of contributions for each of the fund's participating employers for the following three years. The valuation will measure the size of the fund against its future liabilities and set contribution rates according to the fund's deficit or surplus.

Additional voluntary contributions (AVCs)
These are extra payments to increase future benefits. Members can also pay AVCs to provide additional life cover.

All local government pension funds have an in-house AVC scheme that members can invest money in through an AVC provider, often an insurance company or building society.

Administering authority
The LGPS is run by administering authorities, for example county councils, in accordance with regulations approved by parliament. Each administers their own fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each fund and set the rate at which the participating employers must contribute to fully fund the payment of scheme benefits for that fund's membership.

Admission body
An admission body is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities and contractors.

Asset allocation
This is putting an investment strategy in place that tries to balance risk against reward by adjusting the percentage of each asset in an investment portfolio according to an investor's risk tolerance, goals and investment time frame.

B

Best Value
Best Value was introduced in England and Wales by the Local Government Act 1999. Its provisions came into force in April 2000. The aim was to improve local services in terms of both cost and quality. A Best Value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account a combination of economy, efficiency and effectiveness.

Brent oil price
Brent Crude is a major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. It is quoted in US$ in price per barrel.

C

Career average revalued earnings (CARE) pension scheme
From 1 April 2014, for every year they pay into the LGPS, scheme members get a pension of 1/49th of their pay, which is added to their pension account and revalued every year in line with a government treasury order currently linked to the Consumer Prices Index.

Cash equivalent value (CEV)
This is the cash value of a member’s pension rights for the purposes of divorce or dissolution of a civil partnership.

Consumer Price Index (CPI)
This is a method of measuring the changes in the cost of living, similar to the Retail Price Index. From April 2011 the amount pensions are increased annually is based on movement in the Consumer Price Index during the 12 months to the previous September.

Contracted out
The LGPS is contracted out of the State Second Pension Scheme (S2P). This means that, up to state pension age, members pay reduced National Insurance contributions between the lower and upper earnings limits, unless they opted to pay the married woman’s/widow’s reduced rate of National Insurance, and do not earn a pension under S2P.

Commutation
This is giving up part or all of the pension payable from retirement in exchange for an immediate lump sum.

Convertible shares
These are shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

Custodian
This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

D

Data governance
This refers to the overall management of the availability, usability, integrity, and security of data used in an enterprise. A sound data governance programme includes a governing body, a defined set of procedures, and a plan to execute those procedures.

Death grant
This is a lump sum paid by the pension fund to the dependants or nominated representatives of a member who dies.

Deferred pensioner
A former member of the LGPS who has left the scheme, but still has benefits in the scheme and will collect a pension from the LGPS on retirement.

Deficit payments
Pension schemes have a legal requirement to reduce any deficit – the difference between a scheme's assets and its liabilities – over time, by making additional payments.

Denomination
This is the face value of a banknote, coin, or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction, or the currency a financial asset is quoted in.

Designating body
Designating bodies are bodies that can designate employees for access to the Scheme. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, Transport for London, and the Children and Family Court Advisory and Support Service, among others, can be designated for membership of the scheme.

Discretion
This is the power given by the LGPS to enable a council or administering authority to choose how they will apply the scheme in respect of certain of its provisions. Under the LGPS they are obliged to consider certain of these discretionary provisions and to pass resolutions to form a policy of how they will apply the provision. For the remaining discretionary provisions, they are advised to do so. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review.

Direct property
Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

E

Eligible councillor
This is a councillor or an elected mayor (other than the Mayor of London) who is eligible for membership of the LGPS in accordance with the scheme of allowances published by an English county council, district council or London borough council or by a Welsh county council or county borough council.

Employer covenant This is an employer's legal obligation and financial ability to support their defined benefit pension scheme now and in the future. Assessing the strength of the covenant helps decide the appropriate level of risk when setting investment strategy.

Equity Risk Premium
Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

F

Financial instruments
These are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

Fixed income securities
A fixed-income security is an investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity. Unlike a variable-income security, where payments change based on some underlying measure such as short-term interest rates, the payments of a fixed-income security are known in advance.

Fund of funds (FoF)
This is a fund that holds a portfolio of other investment funds.

G

Guaranteed minimum pension (GMP)
The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS)at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

General partners
These are owners of a partnership with unlimited liability. General partners are often managing partners who are active in the daily operations of a business.

I

Index-linked bonds
These are bonds in which payment of income on the principal is related to a specific price index – often the Consumer Price Index. This feature provides protection to investors by shielding them from changes in the underlying index. The bond's cash flows are adjusted to ensure that the holder of the bond receives a known real rate of return.

Internal rates of return (IRR)
This is the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero.

L

Local government
The term local government in this report also covers police and fire civilian staff, the Mayor of London and members of the London Assembly, the chairman of the London Transport Users' Committee, employees of a National Probation Service local board or Probation Trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an academy, an Education Action Forum or a Further or Higher Education Corporation.

M

Myners' principles
This is a set of principles based on Paul Myners' 2001 report, *Institutional Investment in the United Kingdom*.

The Myners' principles for defined benefit schemes cover:

- effective decision-making
- clear objectives
- risk and liabilities
- performance assessment
- responsible ownership
- transparency and reporting.

O

Ordinary shares
An ordinary share represents equity ownership in a company and entitles the owner to vote at general meetings of that company and receive dividends on those shares if dividend is payable.

P

Pension board
Pension boards make sure each scheme complies with governance and administration requirements. Boards may have additional duties, if scheme or other regulations specify them. They must have an equal number of employer representatives and member representatives, plus other types of members, like independent experts. All pension board members have a duty to act in line with scheme regulations and other governing documents.

Pension liberation fraud
Members with deferred benefits may be approached by companies offering to release funds early from these benefits.

The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

Personal pension
A personal pension plan is usually purchased from a financial services company, such as an insurance company, bank, investment company or building society. Members usually pay into the plan every month and employers can also contribute to the plan.

Policy statement
This is a statement that councils and administering authorities must produce, setting out the policies they have resolved to follow in exercising certain discretions under the LGPS.

Pooled funds
These are aggregated funds from multiple individual investors. Investors in pooled fund investments benefit from economies of scale for lower trading costs, diversification and professional money management.

Private Equity
Private equity is equity capital that is not quoted on a public exchange. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet.

Q

Quality management
This makes sure that an organisation, product or service is consistent. It has four main components: quality planning, quality control, quality assurance and quality improvement. West Yorkshire Pension Fund has been assessed and certified as meeting the requirements of ISO9001:2008.

Quantitative easing
Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

R

Related party transactions
This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

Retail Prices Index
This is another method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the

previous September. From April 2011 the government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index.

Rule of 85

Under previous regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. The agreement of the employer was required for employees who wished to retire before the age of 60. If the sum of the member's age and the number of whole years of their Scheme membership was 85 or more, benefits were paid in full; if the total was less than 85, the benefits were reduced. The employer had the power to waive the reduction on compassionate grounds and to pay the benefits in full. The Rule of 85 was not relevant where a member was made redundant, or was retired on grounds of efficiency or ill health.

The Rule of 85 was abolished on 1st October 2006. However, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

S

Scheduled body

Means a body which is either statutorily obliged to join the LGPS or, in the case of parish councils, has a statutory right to do so.

State Earnings Related Pension Scheme (SERPS)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically contracted out of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the State Second Pension (S2P) from 6 April 2002.

Spot rate

This is the price quoted for immediate settlement on a commodity, a security or a currency. It's based on the value of an asset at the moment of the quote, and this in turn is based on how much buyers are willing to pay and how much sellers are willing to accept, which depends on factors such as current market value and expected future market value.

Stakeholder pension

This is a low-cost private pension; they became available from 6 April 2001. They are meant for people who currently do not have a good range of pension options available to save for their retirement. Contributors use their own money to build up a pension fund.

State pension age

This is the earliest age people can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The government has announced that it will speed up the pace of state pension age equalisation for women, so that women's state pension age will reach 65 by November 2018.

State Second Pension (S2P)

The State Second Pension (formerly SERPS) is the additional state pension, payable from State pension age by the Department for Work and Pensions. LGPS members are contracted out of S2P and most pay lower national insurance contributions as a result.

Statutory compliance
This means following the laws on a given issue.

Stock lending
This is loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower, and title is returned at the end of the loan period.

Subsumption
This is when a new company takes over an old company so that the old company becomes one with the new.

T

Transfer value
A transfer value is a cash sum representing the value of a member's pension rights.

Transferred service
Any pension members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

Treasury management
This is the administration of an organisation's cash flow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully.

U

Unitised funds
A unitised fund is a fund structure that allows investors to pool assets while retaining individual net asset values for each participant and keeping track of historical fund records. Each investor in the fund is accounted for separately and has their own unit – their own class of shares of the portfolio's total assets.

V

Voting policy
This is how West Yorkshire Pension Fund applies its shareholder voting rights. West Yorkshire Pension Fund will vote as follows.

For – when the proposal meets best practice guidelines and is in shareholders' long-term interests.

Abstain – when the proposal raises issues which do not meet best practice guidelines but either the concern is not regarded as sufficiently material to warrant opposition or an oppose vote could have a detrimental impact on corporate structures or the issue is being raised formally with the company for the first time.

Oppose – when the proposal does not meet best practice guidelines and is not in shareholders' interests over the long term.

The voting policy will be applied to all reportable companies held by the fund.

In supporting any resolution of any type, West Yorkshire Pension Fund will only vote on a resolution if:

- the resolution deals with one substantive issue and is not bundled with other items
- the resolution is fully explained and justified by the proposers, and
- there is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.

West Yorkshire Pension Fund's voting policy is available in full at **www.wypf.org.uk**

West Yorkshire Pension Fund

Pension Administration Strategy

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

Pension Administration Strategy

Contents

APPENDIX D – PENSION ADMINISTRATIVE STRATEGY

Regulatory framework & purpose

1. The regulations

This Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013.

In line with these regulations West Yorkshire Pension Fund (WYPF) employers have been consulted on the strategy, and a copy has been sent to the Secretary of State.

1.1. Purpose

This strategy outlines the processes and procedures to allow WYPF and employers to work together in a cost effective way to administer the LGPS whilst maintaining an excellent level of service to members. It recognises that working co-operatively and collaboratively will be key to achieving these aims.

2. Review of the strategy

This Strategy will be reviewed as soon as reasonably possible following any changes to the regulations, processes or procedures that affect the strategy or on a tri-annual basis if this occurs sooner.

Changes to this Strategy will be made following consultation with employers and a copy of the updated strategy will be sent to the secretary of state.

WYPF will constantly seek to improve communications between itself and the employers.

Employers are welcome to discuss any aspect of this strategy with WYPF at any time and may make suggestions for improvement to the strategy.

3. Liaison and communication

3.1. Authorised contacts for employers

Each employer will nominate a contact to administer the three main areas of the LGPS:

A Strategic contact for valuation, scheme consultation, discretionary statements & IDRP

An Administration contact for the day to day administration of WYPF, completing of forms and responding to queries

A Finance contact for completion and submission of the monthly postings and co-ordination of the exception reports

If they wish, employers may also nominate additional contacts.

All contacts will receive a login name and password that allows them to access the Civica Employer Portal for online administration and the combined remittance and monthly return.

When registering, each contact should complete a "main contact registration form and authorised user list" and signing WYPF's user agreement for the secure administration facility.

The three main contacts are responsible for ensuring that contacts are maintained by notifying WYPF when one leaves and registering new contacts where necessary.

3.2. Liaison and communication with employers

WYPF will provide the following contact information for employers and their members:

- A named **Pension Fund Representative** for regulatory or administration queries, training, advice and guidance.
- A named **Finance business partner** to assist with the monthly returns process
- A dedicated **Contact centre** for member queries

In addition to this WYPF takes a multi-channel approach to communication with its employers.

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
Ad hoc training	As and when required	Face to face
Update sessions	2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters and Xtra	12 per year and as and when required	E-mail
Social media	Constant	Web

Ad hoc meetings	As and when required	Face to face
Workshops	10 per year	Face to face

4. Employer duties & responsibilities

When carrying out their functions employers must have regard to the current version of this strategy.

4.1 Events for notification

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly Postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions was deducted.	100% compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, WYPF will process the data within 2 weeks following monthly return submission.	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, WYPF will process the data within 2 weeks following monthly For exception report output from the monthly return, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	90% compliance or better
			If the employer is not using monthly return, then information is due within 6 weeks of change	
50/50 & Main scheme elections	Monthly Return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following	90%

West Yorkshire Pension Fund

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			monthly data submission.	compliance or better
Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 month opt-outs	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return Web form Monthly returns (exception reports)		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission, else within 6 weeks of leaving For exception reports leaver forms must be provided to WYPF within 2 months of receipt of the exception report.	90% compliance or better
Retirement notifications	Web form		**10** days before the member is due to retire unless the reason for retirement is ill health or redundancy.	90% compliance
Death in service notifications	Web form		Within 3 days of the date of notification.	100% compliance

4.2 Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.

WYPF is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer.

In the event of WYPF being fined by The Pensions Regulator, this fine will be passed on to the relevant employer where that employer's actions or inaction caused the fine.

4.3 Discretionary powers

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees.

4.4 Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

4.5 Internal Disputes Resolution Procedure (IDRP)

Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

5 Payments & charges

5.1 Payments by employing authorities

Employing authorities will make all payments required under the LGPS regulations, and any related legislations, promptly to WYPF and /or its Additional Voluntary Contribution (AVC) providers (Prudential/Scottish Widows) as appropriate.

5.2 Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission, the latest date contributions can be paid is the 19th day of the month following the month in which the deductions were made.

Where the 19th falls on a weekend or Bank Holiday, the due date becomes the last working day prior to the 19th.

5.3 AVC deductions

Employers will pay AVCs to the relevant provider within one week of them being deducted.

5.4 Late payment

Employers are reported to The Pensions Regulator where contributions are received late in accordance with the Regulator's code of practice.

5.5 Payment method

Contributions (but not AVCs) should be paid to WYPF by BACS payment direct to WYPF's bank account.

5.6 Early retirement and Augmentation costs

Employers have the option to pay the full early retirement cost or pay by instalments over 5 years, depending on their ability to pay. Interest is charged if option to pay by instalment is taken, the annual interest used Base Rate + 1%

All Augmentation cost must be paid in full in one payment.

5.7 Interest on late payment

In accordance with the LGPS regulations interest will be charged on any amount overdue from an employing authority by more than one month.

5.8 Employer contributions

Employer's contributions rates are not fixed and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

5.9 Actuarial Valuation

An actuarial valuation of the Fund is undertaken every three years by the Fund's actuary. The actuary balances the Fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and deficit payment if appropriate for each employer for the subsequent three years.

5.10 Administration charges

The cost of running WYPF is charged directly to the Fund, the actuary takes these costs into account in assessing employers' contribution rates.

6 Administering authority duties & responsibilities

When carrying out their functions WYPF will have regard to the current version of the Strategy.

6.1 Scheme Administration

WYPF will ensure that workshops and Annual meetings are held on a regular basis and actively seek to promote the Local Government Pension Scheme via the following events:

- Employers Annual meeting
- Members Annual Meeting
- Pre retirement courses
- New Starters Induction courses
- Complete Guide to Administration
- Your Responsibilities
- Monthly Contributions
- Ill Health Retirement

6.2 Responsibilities

WYPF will ensure the following functions are carried out:

6.2.1 Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point access for information relating to the LGPS

6.2.2 Create a member record for all new starters admitted to the LGPS

6.2.3 Collect and reconcile employer and employee contributions

6.2.4 Maintain and update members records for any changes received by WYPF

6.2.5 At each actuarial valuation WYPF will forward the required data in respect of each member and provide statistical information over the valuation period to the Fund Actuary so that he can determine the assets and liabilities for each employer

6.2.6 Communicate the results of the actuarial valuation to the Fund to each employer

6.2.7 Provide every active, deferred and pension credit member with a benefit statement each year

6.2.8 Provide estimate of retirement benefits on request by the Employer

6.2.9 Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.

6.2.10 Comply with HMRC legislation

6.3 Decisions

WYPF will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

6.4 Discretionary powers

WYPF will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

6.5 Internal Disputes Resolution Procedure (IDRP)

WYPF will deal with employer appeals at stage two of the IDRP.

WYPF will nominate an adjudicator to deal with appeals at stage one and stage two of the IDRP where the appeal is against a decision WYPF has made or is responsible for making.

6.6 Fund Performance Levels

The minimum performance targets are shown below:

Service		Days	Minimum Target
1.	New member records created	10	85%
2.	Update personal records	10	85%
3.	Posting monthly contributions to member records	10	90%
4.	Calculate and action incoming transfer values	2 months	100%
5.	Deferred benefits - Payment of Lump sums	3	85%
6.	Provide details of Deferred Benefit Entitlement	10	85%

7. Refund of Contribution – Notification of Entitlement	5	85%
8. Refund of Contribution – Payment	5	85%
9. Action agreed transfers out on receipt of acceptance	10	85%
10. Provide estimate of retirement benefits	10	85%
11. Retirement benefits – Payment of lump sum	3	85%
12. Retirement benefits – Recalculation of pension/lump sum	10	85%
13. Calculation and payment death benefits on receipt of all necessary information	5	85%

14. Make death grant payment to the member's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members by		31 May
17. Annual benefit statements issued to active members by		31 August
18. Make payment of pensions on the due date		100%
19. Issue P60's to pensioners within statutory deadlines		100%
20. Provide information on request in respect of Pension Share on Divorce within legislative timescales		100%
21. Implement Pension Share Orders within legislative timescales		100%
22. Undertake annual reviews to establish continuing entitlements to pensions for children over the age of 17		100%
23. Implement changes in pensioner circumstances for the next available pensioner payroll		100%

7 Unsatisfactory performance

7.1 Measuring performance

Both employer and WYPF targets will be measured on a quarterly basis using the Civica document management system. Employers will be notified of their performance level each quarter.

WYPF performance levels will be published on a quarterly basis in the employer newsletter.

Overall employer and WYPF performance will be published by WYPF in the Annual Report.

7.2 Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this Strategy, which leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer. A schedule of charges is detailed in Appendix B.

APPENDIX D1 – MAIN CONTACT REGISTRATION AND AUTHORISED USER LIST

West Yorkshire Pension Fund

Main contact registration form

Employer name or location codes (for multiple employers)	
Employer address	

Important: **please read the attached notes before you fill this form in.**

Strategic contact

Name	
Job title	Address if different from above
Phone	
Email	
Specimen signature for completing forms	

Administration contact

Name	
Job title	Address if different from above
Phone	
Email	
Specimen signature for completing forms	

Finance contact

Name	
Job title	Address if different from above
Phone	
Email	
Specimen signature for completing forms	
Date signatures valid from	
Signed (by current authorised signatory)	

West Yorkshire Pension Fund

Authorised user list

Please give the full name, phone number and email address of the additional people you authorise to submit information on your behalf. We will give them a secure administration account.

Full name	Phone number	Email address
Date authorised users valid from		
Signed (by current authorised signatory)		

APPENDIX D2 – SCHEDULE OF CHARGES

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III), a minimum half day charge of £110 + vat + cost of recovery actions (court and legal fees) will be levied. Any part or all of this charge may be waived at head of service discretion.
2. Contributions to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Due by 19th month-late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th month, errors on return i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within 2 months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + vat a day. This may be waived at head of service discretion.
4. Change in member detail	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.

Performance areas	Reason for charge	Basis of charge
5. Early leavers information	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy - additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at
7. Death in membership	Due within 3 working days of the notification - additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III) at £220 + vat a day. This may be waived at head of service discretion.
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + Failure to comply by employer. This may be waived at head of service discretion.
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I) at £96 + vat a day. This may be waived at head of service discretion.

Performance areas	Reason for charge	Basis of charge
10. Authorised officers list not updated- Pension liaison officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify WYPF of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III) at £220 + vat a day. This charge may be waived at head of service discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + vat is made. This charge is for each members record folder reference.
13. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the Court Order.	The charge is £250 + vat for this work.

APPENDIX D3 – CHARGING LEVELS

Charges will be made on half a day basis, less than quarter a day no charge will be made and more than half a day a full day charge will be made.

Charge Levels	**I**	**II**	**III**
Daily charge	£ 96	£ 136	£ 220
Half day charge	£ 48	£ 68	£ 110

Level I – Work at Pension Officer Level
Level II – Work at Senior Pension Officer Level
Level III – Work at Pension Manager Level

Funding Strategy Statement

1 Introduction

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare a FSS. The key requirements for preparing the FSS can be summarised as follows:

After consultation with all such persons as it considers appropriate, the Administering Authority will prepare, maintain and publish their funding strategy;

In preparing the FSS, the Administering Authority must have regard to:-

- the statutory guidance issued by CIPFA for this purpose; and
- the Statement of Investment Principles (SIP) for the Scheme published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended) ("The Investment Regulations"); and

The FSS must be revised and published in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended), whenever there is a material change in either the policy on the matters set out in the FSS or the SIP.

1.2 Benefits payable under the Local Government Pension Scheme (LGPS) are guaranteed by statute and thereby the pension promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

1.3 The LGPS is a defined benefit scheme under which the benefits are specified in the governing legislation, currently the Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations").

1.4 Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation be completed every three years by the actuary, to include a rates and adjustments certificate. Contributions to the Fund from employers should be set so as to "secure its solvency", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a common rate of employer contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2 Purpose of Funding Strategy Statement (FSS)

2.1 Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will, therefore, determine the rate or pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, the implementation of the funding strategy is the responsibility of the Administering Authority, acting on professional advice provided by the actuary.

2.2 The purpose of this FSS is to set out the processes by which the Administering Authority:

2.2.1 establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

2.2.2 supports the regulatory requirement to maintain as far as possible stable employer contribution rates;

2.2.3 makes a prudent longer-term view of funding those liabilities.

2.3 It should be stressed at the outset that as referred to in 2.2.2 above, a key priority for the Administering Authority is to bring stability to employers' contribution rates through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contribution rates and, therefore, associated periods for recovery of deficits or return of surpluses.

2.4 The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of all employers will be referred to in the FSS, its focus should at all times be on those actions which are in the best long-term interests of the Fund. Consequently, the FSS must remain a single strategy for the Administering Authority to implement and maintain.

3 Aims and Purpose of the Pension Fund

3.1 The aims of the Fund are to:

3.1.1 enable employer contribution rates to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admitted bodies, whilst achieving and maintaining the solvency of the Fund, which should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers alike;

3.1.2 manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due. The Fund has a significant positive cash flow in terms of income received, including investment income, offset by monies payable; and

3.1.3 maximise the returns from investments within reasonable risk parameters.

3.2 The purpose of the Fund is to:

3.2.1 receive monies in respect of contributions from employers and employees, transfer values and investment income; and

3.2.2 pay out monies in respect of Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment regulations.

4 Responsibilities of Key Parties

4.1 The sound management of the Fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the Administering Authority, Scheme employers and the actuary.

4.2 The Administering Authority should:-

4.2.1 operate a pension fund;

4.2.2 collect employee and employer contributions, investment income and other amounts due to the pension fund;

4.2.3 invest all monies held in accordance with the SIP;

4.2.4 maintain adequate records for each Scheme member;

4.2.5 exercise discretions within the regulatory framework, taking into account the cost of decisions;

4.2.6 take measures as set out in the regulations to safeguard the fund against the consequences of employer default;

4.2.7 ensure sufficient cash is available to meet liabilities as they fall due;

4.2.8 pay from the pension fund the relevant entitlements as stipulated in the Regulations;

4.2.9 provide membership records and financial information to the actuary promptly when required;

4.2.10 prepare and maintain a Funding Strategy Statement and a Statement of Investment Principles in consultation with interested parties;

4.2.11 monitor all aspects of the Fund's performance and funding and amend the FSS/SIP accordingly;

4.2.12 manage the valuation process in consultation with the actuary; and

4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer.

4.3 Each individual employer should:

4.3.1 deduct contributions from employees' pay correctly;

4.3.2 pay all contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date;

4.3.3 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework, taking into account the cost of decisions;

4.3.4 make additional contributions in accordance with agreed arrangements in respect of, for example, award of additional pension and early retirement strain;

4.3.5 provide adequate membership records to the Administering Authority promptly as required;

4.3.6 notify the Administering Authority promptly of all changes or proposed changes to membership which affect future funding;

4.3.7 notify the Administering Authority promptly of possible or intended changes that could affect the basis of participation in the Fund which affect future funding; and

4.3.8 be aware that responsibility for compensatory added years, which the Administering Authority pays on behalf of the employer as a paying agent, lies with the employer which awards and is recharged for the cost of compensatory added years.

4.4 The Fund Actuary should:

4.4.1 prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations;

4.4.2 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, etc;

4.4.3 provide advice and valuations on the termination of Scheme employers.

4.4.4 provide advice to the administering authority on bonds or other forms of security to mitigate against the financial effect on the fund of employer default;

4.4.5 assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the regulations; and

4.4.6 ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his role in advising the Fund.

5 Solvency Issues and Target Funding Levels

Risk Based Approach

5.1 The Fund adopts a risk based approach to funding rather than a 'deterministic' approach which gives little idea of the associated risk. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rate:

5.1.1 the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);

5.1.2 the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and

5.1.3 the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the appropriate levels of employer contribution payable and, by extension, the appropriate valuation approach to adopt. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

Solvency Target

5.3 The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term.

5.4 The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions.

5.5 For Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following cessation, appropriate actuarial methods and assumptions are taken to be:

5.5.1 the Projected Unit method of valuation; and

5.5.2 assumptions such that, if the Fund had reached the Solvency Target, its financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be an 80% chance that the Fund would be at least 100% funded after a period of 22 years.

This then defines the Solvency Target.

5.6 For Admission Bodies and other bodies whose liabilities are expected to be orphaned following cessation, a more prudent approach will be taken. The Solvency Target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after cessation.

Probability of Funding Success

5.7 The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Actuary.

5.8 The discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is just under a 70% chance that the Fund would reach or exceed its Solvency Target after 22 years.

Funding Target

5.9 The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including the future service costs and any adjustment for the surplus or deficiency set the level of contributions payable, then dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The key assumptions used for assessing the Funding Target are summarised in Appendix 1

5.10 Consistent with the aim of enabling employers' contribution rates to be kept as nearly constant as possible, contribution rates are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc) is stable.

5.11 For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.

Funding Targets and assumptions regarding future investment strategy

5.12 For Scheduled Bodies and Admission Bodies with a subsumption commitment from a Scheme Employer of sound covenant, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets.

5.13 For Admission Bodies and other bodies whose liabilities are expected to be orphaned on cessation, the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such cessation, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of cessation (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities).

5.14 The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target.

Recovery Periods

5.15 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, the employers' contributions will be adjusted to target 100% funding over the Recovery Period. The Fund has a target of achieving the Funding Target within a maximum period of 22 years. Whilst this is longer than the expected average future period of membership of active members, the Administering Authority considers this is reasonable in the context of the LGPS as a statutory scheme. Further, this is based on the assumption that the Scheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term

5.16 If the assets of the scheme relating to an employer are less than thefunding target at the date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall. Each employer will be informed of its deficit to enable it to make the necessary allowance in their business and financial plans. The Recovery Period in relation to an employer or group of employers is the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target for that employer or group of employers is payable.

5.17 Additional contributions will be expressed as a monetary amount, and will increase annually in line with the assumption for pay growth used for the valuation unless a lower increase rate is agreed between the employer and Administering Authority. The recovery period for which the additional contributions are payable will normally be subject to the following limits:-

5.17.1 scheduled, designating and admission bodies with subsumption guarantees - 22 years

5.17.2 admission bodies with a fixed or known term of participation - remaining period of participation

5.17.3 other admission bodies - future working life of members

5.18 In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:

5.18.1 the type/group of the employer

5.18.2 the size of the funding shortfall;

5.18.3 the business plans of the employer;

5.18.4 the assessment of the financial covenant of the employer;

5.18.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

5.19 The strategic aim of the Fund is to operate within a Funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

5.20 In determining the above principles the Administering Authority has had regard to:

5.20.1 the responses to the consultation on the FSS principles;

5.20.2 relevant guidance issued by the CIPFA Pensions Panel;

5.20.3 the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose;

5.20.4 the Administering Authority’s views on the strength of the participating employers’ covenants in achieving the objective.

Employer Contributions

5.21 As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience, between the various employers in the Scheme. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted.

5.22 In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the “normal cost”). The method and assumptions for assessing these contributions are set out in Appendix 1. For the purpose of the 2013 valuation the Fund Actuary has calculated the normal cost based on the new career average benefit structure expected to be in place from 1 April 2014.

5.23 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:

5.23.1 a maximum deficit Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see below).

5.23.2 where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps.

5.23.3 on the cessation of an employing authority’s participation in the Scheme, the Fund Actuary will be asked to complete a termination valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on termination are set out in the separate Admission Bodies Policy document at Appendix 2.

5.24 With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer's contribution rate. For deaths in service and tier 1 and tier 2 ill health retirement the experience will be spread across all employers.

5.25 Two key principles making up the funding strategy adopted for the 2013 actuarial valuation are to:

5.25.1 provide stability in employer contribution rates as far as is possible, thereby avoiding wide fluctuations year on year in those rates. To achieve this stability and ensure gradual movements in employers' contribution rates, the practice of phasing any increases or decreases in employers' rates up to 6 years from 1 April 2014 was adopted where appropriate and required;

5.25.2 retain a maximum 22 year recovery period for meeting a deficit as adopted at the 2010 Valuation.

5.26 With regard to the two principles outlined in paragraph 5.25 above, every Scheme Employer (i.e. those identified in paragraph 5.17.1) will have the option of being treated on this basis. They may, however, choose to have a single increase in contribution rates or phase any increase over a shorter period than 6 years.

5.27 It may not be possible to adopt the two principles outlined in paragraph 5.25 for some or all of the employers identified in paragraphs 5.17.2 and 5.17.3, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these two groups with regard to an appropriate recovery period and whether the phasing of increases or decreases in contribution rates is feasible. Decisions on these issues will have regard to the Administering Authority's views on the strength of an employer's covenant, to its membership profile, and to its anticipated future period of participation in the Fund.

5.28 In adopting the 22 year deficit recovery period for the 2013 Valuation, the Administering Authority has had regard to the need to balance the short-term reduced cash requirement which the 22 year recovery period would deliver against the desire to attain a target of 100% funding as soon as possible, within the 90% to 110% funding range.

Smoothing of Contribution rates for admission bodies

5.29 The Administering Authority recognises that a balance needs to be struck as regards the financial demands made of admission bodies. On the one hand, the Administering Authority requires all admission bodies to be fully self funding, such that other employers in the Fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring full funding may precipitate failure of the body in question, leading to costs for other participating employers.

5.30 The renewed Compact is an agreement between the Coalition Government, and their associated Non-Departmental Public Bodies, Arms Length Bodies and Executive Agencies, and civil society organisations (which for the purpose of the Compact include charities, social enterprises, voluntary and community groups). The agreement aims to ensure that the Government and civil society organisations work effectively in partnership to achieve common goals and outcomes for the benefit of communities and citizens.

5.31 Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding temporarily, taking account of its responsibilities under the Compact, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.

5.32 The implication of this is that, during the period of relaxation, contribution rates for admission bodies can be set at a level lower than full funding would require. However, where deficit payments are being deferred, the bodies should be aware that, all things being equal, this will lead to a higher contribution requirement in future. As a minimum, such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the Funding Target method and assumptions adopted for scheduled bodies and those with a subsumption guarantee.

Notional sub-funds

5.33 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers, as if each employer had its own notional sub fund within the Fund.

5.34 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

5.35 The notional sub fund allocated to each employer is tracked between valuations by rolling it forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit payments, transfers in and out and investment income allocated as set out below. In general no allowance is made for the timing of contributions and cashflows for each year are assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. Further adjustments are made for:

5.35.1 A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the previous valuation.

5.35.2 Allowance for any known material internal transfers within the Fund (cashflows will not exist for these transfers). The Fund Actuary will assume an estimated cashflow equal to the value of the liabilities transferred from one employer to the other unless some other approach has been agreed between the two employers.

5.35.3 Allowance for death in service and other benefits shared across all employers in the Fund (see above).

5.35.4 An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

5.36 In some cases information available will not allow for such cashflow calculations. In such a circumstance:

5.36.1 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is not material, estimated cashflows will be used.

5.36.2 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, or the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers, the actuary will instead use an analysis of gains and losses to roll forward the notional sub fund. Analysis of gains and losses methods are less precise than use of cashflows. They involve calculation of gains and losses to the surplus or deficit at the previous valuation and then compare the surplus or deficit calculated at the valuation with the liabilities evaluated at this valuation to determine the employer's implied notional asset holding.

5.37 The distribution of the investment portfolio between asset classes, and the allocation of investment performance, will be exactly the same for every employer in the Fund. The Fund has one investment portfolio, and employers' shares of the portfolio will be pro-rata to their participating share of the Fund. The Fund's Investment Advisory Panel approves the distribution of the investment portfolio between the various asset classes, and no separate or different notional distribution will be applied to any employer.

Former Participating Bodies

5.38 Where an employer ceases to participate in the Fund, the Administering Authority will obtain a cessation valuation from the actuary which will determine a cessation contribution on the assumption that, unless a subsumption arrangement is in place, the assets will assumed to be invested in low risk investments and this will be sufficient to meet the liabilities. This approach minimises the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund.

6 Link to investment policy set out in the Statement of Investment Principles (SIP)

6.1 In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the Fund, as set out in the SIP.

6.2 It is possible to construct a portfolio that represents a lower risk investment position and one which closely matches the liabilities should there be no employers to fund the liabilities in future. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.

6.3 Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the value of the Fund's assets between successive actuarial valuations.

However, if, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to set the discount rate by considering the returns on growth assets such as equities. On this basis the discount rate would be lower, the assessed value of the Fund's liabilities valuation would be significantly higher, and the declared funding level would be correspondingly reduced

6.4 Departure from a least risk investment strategy, in particular to include a significant element of Equity investment, gives the prospect that out-performance by the assets will, over time, reduce the employers' contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

6.5 The Fund's current benchmark investment strategy, as set out in its SIP, is that the biggest proportion of the Fund's investments will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term. The expected rate of return and the target set for investment returns in the SIP are reviewed annually as a matter of course, and the relationship with the requirements of the FSS are considered at the same time.

7 Identification of risks and counter-measures

7.1 Whilst the activity of managing the Fund exposes the Administering Authority to a wide range of risks, those most likely to impact on the funding strategy are investment risk, liability risk, liquidity/maturity risk, regulatory/compliance risk, employer risk and governance risk.

Investment risk

7.2 This covers items such as the performance of financial markets and the Fund's Investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

7.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)

7.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility

7.2.3 insufficient funds to meet liabilities as they fall due

7.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon

7.2.5 counterparty failure

7.3 The specific risks associated with assets and asset classes are:

7.3.1 equities – industry, country, size and stock risks

7.3.2 fixed income - yield curve, credit risks, duration risks and market risks

7.3.3 alternative assets – liquidity risks, property risk, alpha risk

7.3.4 money market – credit risk and liquidity risk

7.3.5 currency risk

7.3.6 macroeconomic risks

7.4 The Fund mitigates these risks through diversification, permitting investment in a wide variety of markets and assets, and through the use of specialist managers with differing mandates in addition to the internal investment management team, which has a wide variety of experience within its members.

7.5 The performance of both markets and managers is reviewed regularly by the Investment Advisory Panel, which has the appropriate skills and training required to undertake this task.

Liability risk

7.6 The main risks include interest rates, pay and price inflation, changing retirement patterns and other demographic risks.

7.7 The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

7.8 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position.

7.9 If significant liability changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require the review the bonds that are in place for Admission Bodies.

Liquidity and Maturity risk

7.10 This is the risk of a reduction in cash flows into the Fund, or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,

7.10.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;

7.10.2 an increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),

7.10.3 public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),

7.10.4 scheme changes and higher member contributions in particular may lead to increased opt-outs;

7.10.5 a high take-up of the 50/50 option will reduce member contributions to the Fund.

7.11 The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity leading to cashflow or liquidity issues.

Regulatory and compliance risk

7.12 Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law. The Government is also carrying out a review of the structure of the LGPS.

7.13 The Administering Authority will keep abreast of all the changes to the LGPS 2014. The Administering Authority will normally respond to consultations on these matters where they have an impact on the Fund, and it would encourage employers, who frequently have a greater interest in proposed changes, to respond independently.

Employer risk

7.14 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.

7.15 The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS.

Governance risk

7.16 Governance risk is essentially one of communication between employer and the Fund, where, for example, an employer fails to inform the Fund of major changes, such as the letting of a contract involving the transfer of significant numbers of staff to another employer, or an admission body closing the scheme to new entrants.

7.17 The Fund seeks to maintain regular contact with employers to mitigate this risk, and has Pension Fund Representatives for this purpose. The Fund would also advise employers to pay past service deficit payments as lump sums, rather than as a percentage of payroll, to avoid an under payment accruing as a result of a reduction of the payroll.

7.18 To protect the Fund on the admission of a new employer, the existing scheme employer (which should liaise with the Fund) or the Fund if there is no existing scheme employer, will undertake a risk assessment and determine the requirement for a bond or indemnity, which should be reviewed annually.

7.19 The Fund will monitor employers with a declining membership, and may introduce a more conservative Funding strategy for such employers.

8 Monitoring and Review

8.1 The Administering Authority has taken advice from the Fund Actuary in preparing this Statement, and will consult with senior officials of all the Fund's participating employers.

8.2 A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

8.3 The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

8.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.

8.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits.

8.3.3 if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy

8.3.4 if there have been any significant special contributions paid into the Scheme.

Appendix 1

Actuarial Valuation as at 31 March 2013

Method and assumptions used in calculating the funding target

The actuarial method to be used is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

Principal assumptions
Investment return (discount rate)

The discount rate for the 2013 valuation is 5.6% p.a. for the periods pre and post retirement with the exception of Admission Bodies which will ultimately give rise to Orphan liabilities where the discount rate is 5.2% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%) and 3.6% (left service), which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.4% in light of the increase in gilt yields since the valuation date.

The asset out-performance assumptions represent the allowance made for the long-term additional investment performance on the assets of the Fund relative to the Bank of England Bond Curve as at the valuation date.

Inflation (Retail Prices Index (RPI) and Consumer Prices Index (CPI) inflation)

The RPI inflation assumption is taken to be the Capital Market Assumption at the valuation date as produced by Aon Hewitt Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

The CPI inflation assumption at the valuation date is set as RPI inflation less 0.9%.p.a. The deduction has been set having regard to the estimated difference between RPI and CPI arising from the difference in the calculation approach between the two indices. This estimate (and hence the assumed difference between CPI and RPI) will vary from time to time.

Salary increases

The assumption for real salary increases (salary increases in excess of consumer price inflation) will be determined by an allowance of 1.5% p.a. over the consumer price inflation assumption as described above.

Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption as determined above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Mortality
Post-retirement Mortality
Base Rates

Normal Health: Standard SAPS Normal Health tables, year of birth base rates, adjusted by a scaling factor.

Ill-health: Standard SAPS Ill-health tables, year of birth base rates adjusted by a scaling factor.

Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health) 105%

Females (normal health) 100%

Males (ill-health) 110%

Females (ill-health) 120%

Future improvement to base rates

An allowance for improvements in line with the CMI 2012, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a.

Pre-retirement mortality

Males: As for normal health retirements but with a 75% scaling factor

Females: As for normal health retirements but with a 75% scaling factor

Early retirements

Members who are protected in respect of their Rule of 85 Age following the benefit changes introduced in 2008 (i.e. those members who joined the Fund before 1 October 2006 and who would be aged over 60 on 31 March 2016) will be assumed to retire at the Rule of 85 Age or age 60 if higher with no reduction to accrued benefits. Members joining on or after 1 October 2006 are assumed to retire at age 65.

Withdrawals

Allowance is made for withdrawals from service. On withdrawal, members are assumed to leave a deferred pension in the Fund and are not assumed to exercise their option to take a transfer value.

Retirement due to ill health

Allowance is made for retirements due to ill health. Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1 (upper tier) 75%

Tier 2 (middle tier) 10%

Tier 3 (lower tier) 15%

Family details

A man is assumed to be 3 years older than his spouse, civil partner or cohabitee. A woman is assumed to be 3 years younger than her spouse, civil partner or cohabite.

90% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death.

90% of pensioners are assumed to be married / cohabitating at age 65.

Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 75% of the permitted maximum amount permitted of their past service pension entitlements.

Take up of 50/50 scheme

10% of staff earning less than £21,000 are assumed to join the 50/50 scheme.

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

0.3% of Pensionable Pay added to the cost of future benefit accrual.

Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target.

Funding method

For most employers, the actuarial method to be used is the Projected Unit method with a one year control period. For employers who do not permit new employees to join the Fund, the actuarial method to be used is the Attained Age method. Under both funding methods the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

Assumptions used in calculating contributions payable under the Recovery Plan

The contributions payable under the Recovery Plan are calculated using the same assumptions as those used to calculate the funding target

Summary of key whole Fund principal financial assumptions used for calculating funding target and cost of future accrual (the "normal cost") for the 2013 actuarial valuation

Discount rate (pre-retirement)	5.6% for Scheduled, Resolution and Bodies with subsumption guarantees 5.2% (Orphan Admission Bodies in service 3.6% (Orphan Admission Bodies left service)
Discount rate (post-retirement)	5.6% Scheduled, Resolution and Bodies with subsumption guarantees 3.6% (Orphan Admission Bodies)
Rate of general pay increases	3.9%
Rate of price inflation (RPI)	3.3%
Rate of price inflation (CPI)	2.4%
Rate of pension increases (on benefits in excess of	2.4%

GMPs)	
Rate of pension increases on post-88 GMPs	2.0%
Rate of deferred pension increases	2.4%
Rate of GMP increases in deferment	3.6%

APPENDIX 2

Policy on Admission Bodies and Cessation Valuations

1. Background

1.1 Under the Local Government Pension Scheme Regulations 2013, certain employers are allowed to participate in the Fund if they satisfy the relevant criteria set out in the Regulations. These are known as admission bodies.

1.2 There are a number of types of employer which participate in the Fund. Certain employers, such as local authorities are categorised as "Scheme Employers". The employees of Scheme Employers have a statutory right to participate in the Fund.

1.3 An admission body is an employer which satisfies certain criteria and applies to participate in the Fund. It is required to have an "admission agreement" with the Fund. In conjunction with the Regulations, the admission agreement sets out the conditions of participation of the admission body including which employees (or categories of employees) are eligible to be members of the Fund.

1.4 Regulation 64 of the LGPS Regulations 2013 requires that where a Scheme employer (including an admission body participating in the Scheme) ceases to be a Scheme employer or no longer has any active members the appropriate administering authority must obtain -

(a) an actuarial valuation, as at the exit date, of the liabilities of the fund in respect of the exiting employer's current and former employees; and

(b) a revised rates and adjustment certificate showing the exit payment due from the exiting employer in respect of those benefits.

2. Types of Admission Body

2.1 The following bodies are admission bodies with whom an administering authority may make an admission agreement-

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

(b) a body, to the funds of which a Scheme employer contributes;

(c) a body representative of-

- **(i)** any Scheme employers, or
- **(ii)** local authorities or officers of local authorities;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-

- **(i)** the transfer of the service or assets by means of a contract or other arrangement,
- **(ii)** a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
- **(iii)** directions made under section 497A of the Education Act 1996;

(e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

3. Risks and responsibilities

3.1 Admission bodies under paragraph 1(d) of Part 3 of Schedule 2 to the 2013 Regulations (generally admissions as a result of a Best Value transfer), are required to carry out an assessment of the level of risk on premature termination of the contract. This assessment has to be to the satisfaction of the Scheme employer (i.e. the employer letting the contract) and the administering authority. Where the Administering Authority is satisfied as to the strength of covenant of the Scheme employer, it will not usually require a minimum level of cover in order to be "satisfied" with the risk assessment, as the risk on premature termination will fall on the Scheme employer. However, as agreed with the 5 main Councils in the Fund (which are the Scheme employers for most of the new admissions under paragraph 1(d)), the Administering Authority's policy is to seek actuarial advice in the form of a “risk assessment report” provided by the Fund’s Actuary which can be shared with the Scheme employer on the understanding that the Fund Actuary cannot provide advice to the Scheme employer. Based on this assessment, the Scheme Employer and the administering authority should decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. Where, for any reason, it is not desirable for a 1(d) admission body to enter into an indemnity or body the admission body must secure a guarantee from the Scheme employer. In the event of unfunded liabilities on the termination of the admission, the Scheme Employer’s contribution rate to the Fund would be revised accordingly. In most cases it is expected that the Scheme Employer will provide a subsumption commitment whereby the assets and liabilities of the outgoing admission body post-exit are "subsumed" into the Scheme Employer's liabilities and notional pool of Fund assets.

3.2 Other admission bodies are now required to carry out an assessment of the level of risk on premature termination of the contract. This assessment has to be to the satisfaction of the administering authority. The Administering Authority's policy is to seek actuarial advice in the form of a “risk assessment report” provided by the Fund’s Actuary. Based on this assessment, the administering authority should decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. Where, for any reason, it is not desirable for an admission body to enter into an indemnity or body the admission body must secure a guarantee from:

a) a person who funds the admission body in whole or in part;

b) a person who-
   (i) owns, or
   (ii) controls the exercise of the functions of,

the admission body; or

c) the Secretary of State in the case of an admission body-
   (i) which is established by or under any enactment, and
   (ii) where that enactment enables the Secretary of State to make financial provision for that admission body; or
   (iii) which is a provider of probation services under section 3 of the Offender Management Act 2007 (power to make arrangements for the provision of probation services) or a person with whom such a provider has made arrangements under subsection (3)(c) of that section.

Ultimately, an indemnity or bond or guarantee is designed to protect the Fund in the event that unfunded liabilities are present after the termination of an admission body.

3.3 When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

3.4 In the event that unfunded liabilities arise that cannot be recovered from the admission body, the indemnity or bond provider or guarantor these will normally fall to be met by the Scheme Employer in the case of paragraph 1(d) admission bodies or the Fund as a whole (i.e. all employers) in the case of other admission bodies. In this latter case the shortfall would normally fall on the employers pro-rata to their liabilities in the Fund. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund.

4. Reducing or mitigating risks

Faced with the potential risks identified above, the administering authority has adopted a variety of policies in entering into admission agreements but the key one is that for other admission bodies WYPF will only consider admission if the body is based wholly or mainly in West Yorkshire or has clear links to an existing Scheme Employer of the Fund and the body has a sound financial standing. The Fund's preference is for a Scheme employer to provide a subsumption commitment in respect of any new admission bodies wishing to join the Fund. Where such a commitment is not available, an orphan funding target will be adopted, to protect the Fund as set out in paragraph 5.3 of the Funding Strategy Statement and explained further below. In the extreme, the Administering Authority may exercise its discretion to refuse admission to the Scheme for any admission bodies with no subsumption commitment if this is considered appropriate to protect the interests of the Fund. For paragraph 1(d) admissions where the body undertakes to meet the requirements of the regulations the WYPF must admit to the Scheme the eligible employees of that body.

5. Subsumed liabilities

Where an admission body ceases its participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the administering authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally this will mean assuming continued investment in more risky investments than Government bonds.

6. Orphan liabilities

Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the administering authority will act on the basis that it will have no further access for funding from that employer once any cessation valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The administering authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the administering authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government fixed interest and index linked bonds.

To the extent that the administering authority decides not to match these liabilities with Government bonds of appropriate term then any excess or deficient returns will be added to or deducted from the investment return to be attributed to the employer's notional assets for the purpose of the tracking of any future surplus or deficit in relation to the orphan liabilities.

7. Cessation of participation

Where an employing authority ceases participation, a cessation valuation will be carried out in accordance with Administration Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target in the exit valuation will anticipate investment in low risk investments such as Government bonds. For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position revealed in the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.

Governance Compliance Statement

1 Introduction

1.1 The Governance Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended)..

1.2 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for the WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the Council's Financial Regulations, the Director – West Yorkshire Pension Fund has day to day responsibility for the management of the Fund. The Director of Finance at Bradford Council, as the Council's Section 151 Officer, has responsibility for signing the Fund's year-end accounts.

2 Governance and Audit Committee

2.1 The Governance and Audit Committee shall comprise of five members. The Chair or Deputy Chair of the Committee shall not be a member of the Executive but at least one member shall also be a member of the West Yorkshire Pension Fund Joint Advisory Group and/or Investment Advisory Panel.

Quorum

The quorum of the Committee shall be 3 members.

Roles and Functions

2.2 The functions of the Committee affecting the West Yorkshire Pension Fund are to:

1. approve the Statement of Accounts and related documents in accordance with the Accounts and Audit Regulations 2015;
2. receive matters of a financial nature that External Audit request be considered by a member body, including any that may concern the Council's governance arrangements;

3. consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements;
4. seek assurances that action is being taken on risk related issues determined by auditors and inspectors;
5. review the financial statements, External Auditor's opinion and reports to members and monitor management action in response to the issues raised by External Audit;
6. discharge the functions contained in Part H of Schedule 1 of the Local Authorities (Functions and Responsibilities)(England) Regulations 2000 (functions relating to local government pensions) and Part 1, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group; and
7. review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary
8. Consider the reports of External Audit and inspection agencies

2.3 The minutes of meetings of the Investment Advisory Panel and Joint Advisory Group are submitted to the Committee.

3 WYPF Investment Advisory Panel

3.1 The WYPF Investment Advisory Panel (hereinafter referred to as 'the Panel') comprises of nineteen representatives. WYPF covers the geographical areas of five metropolitan authorities, namely the West Yorkshire District Councils of Bradford (administering authority), Calderdale, Kirklees, Leeds and Wakefield. Each of the five West Yorkshire District Councils has two councillor representatives on the Panel.

3.2 The other nine representatives on the Panel comprise of three Trade Union representatives (two from UNISON and one from GMB), two external investment advisers, two scheme members, the Director – West Yorkshire Pension Fund, and a Chief Finance Officer from the West Yorkshire District Councils on a two year rotational basis. A facility also exists for an additional councillor representative to be co-opted onto the Panel each year in the event that one of the three largest political groups in West Yorkshire is not represented on the Panel through the ten councillors nominated by the five District Councils. The co-opted councillor will be from Bradford Council as administering authority.

3.3 All representatives on the Panel have equal voting rights.

3.4 For each municipal year a Chair of the Panel is nominated by the two Bradford Council councillor representatives on the Panel, and a Deputy Chair is elected from other members on the Panel. A Bradford councillor on the Panel will also be a member of the Governance and Audit Committee.

3.5 The Panel meets on a quarterly basis in January, April, July and October each year. The Panel may hold a 'special' meeting at any time in the year to deal with any urgent or specific areas of business.

3.6 The Panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity.

3.7 In this capacity, the Panel will be responsible for formulating the broad future policy for investment. Not only will it be necessary to ensure that monies accruing to the Fund are invested to greatest advantage, it will also have responsibility for monitoring the progress of all existing investments. As with all trustees, members of the Panel should not allow their own personal interests, social, moral or political views to influence their decisions.

3.8 At the meetings of the Panel the overall investment portfolio will be reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money.

3.9 Prior to each meeting, the Director – West Yorkshire Pension Fund will arrange to supply all members of the Panel with information to enable these tasks to be undertaken. This will include a current distribution of the assets of the Fund, schedules of all investments purchased or sold since the previous Panel meeting, views from the Fund's external investment advisers, and a complete list and up-to-date valuation of the investment portfolio.

3.10 Decisions are taken on how the new money available for investment is to be allocated to major asset classes on the portfolio. However, the Panel having once determined the level of overall investment, the specific selection of the individual securities will be left to the discretion of the in-house investment managers.

3.11 The external investment advisers on the Panel will be able to guide other members of the Panel in their investment adjudication.

3.12 In the event of conflict of opinions arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.

3.13 The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director- West Yorkshire Pension Fund or his/her nominee, and one external investment adviser.

3.14 The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Panel if, in its opinion, the decision is not in the best interests of the WYPF.

4 WYPF Joint Advisory Group

4.1 The WYPF Joint Advisory Group (hereinafter referred to as 'the Group') comprises of twenty representatives. There are three councillor representatives from each of the five West Yorkshire District Councils, three Trades Union representatives, and two Scheme members. All representatives on the Group have equal voting rights.

4.2 There is no set pattern for meetings of the Group, and the Group will meet on such days as they may determine.

4.3 For each municipal year, a Chair is nominated by the Bradford Council representatives and a Deputy Chair is elected from amongst the other members of the group.

4.4 The Group has overall responsibility for overseeing and monitoring the WYPF's Pensions Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the Group will approve the budget estimates for the Pensions Administration and Investment Management functions of WYPF, and also receive the WYPF's Annual Report and Accounts.

4.5 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent Councils.

4.6 The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Group if, in its opinion, the decision is not in the best interests of the WYPF.

5 WYPF Pension Board

5.1 WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.

5.2 The Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

5.3 The WYPF Pension Board comprises of 8 representatives. There are four member representatives from the Trade Unions (2 from Unison, and one each from Unite and GMB) and four employer representatives (one Councillor from Bradford Council who will act as Chair, 2 other councillors from the other district Councils and one employer representative nominated from all the other employers in the Fund).

5.4 The Board will meet twice a year on such dates as they determine.

5.5 The quorum of the Board shall be three (Chair plus one employer representative and one member representative).

6 Annual General Meetings

6.1 Each year, usually in October, WYPF holds an Employers' Annual General Meeting and a separate Scheme Members' Annual General Meeting.

6.2 At each Annual Meeting a keynote address is given by a 'guest speaker' on a related pensions topic. The Director – West Yorkshire Pension Fund will provide an up-date on the activities of the Fund during the past year, and the Fund's two external investment advisers will provide economic and stock market data together with details of WYPF's own investment strategy and performance.

7 Training/Expenses/Facility Time

7.1 A bespoke training seminar is held each year for members of the Investment Advisory Panel and Joint Advisory Group. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee's "Trustee Training Fundamentals' event, which is a 3-day training course for pension fund trustees.

7.2 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work on the Panel, and members can opt to attend any that they feel will be of benefit to them.

7.3 No member or representative on the Investment Advisory Panel, Joint Advisory Group or Pension Board shall be remunerated for undertaking this role. However expenses incurred in the attending meetings, training events will be re-imbursed. The cost is met by the Fund.

7.4 The Trades Unions and active member representatives on the Investment Advisory Panel and Joint Advisory Group and Pension Board should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel, Joint Advisory Group and Pension Board.

8 Register of Interests

All voting members of the Investment Advisory Panel, Joint Advisory Group and Pension Board must complete a Declaration of Acceptance of Office Form and annually compete a Conflicts of Interest form.

Communications Policy

This policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013

Introduction

Our communications policy has been prepared to meet our objectives about how we communicate with our key stakeholders. We currently administer the Local Government Pension Scheme (LGPS) for 381 employers and have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters Pension Schemes both old and new for a number of fire authorities. This policy is effective from April 2015 and will be reviewed annually.

Our stakeholders

For all of the schemes that we administer, our stakeholders include:

- Members
- Representatives of members
- Prospective members
- Employing authorities

Key objectives

To communicate the scheme regulations and procedures in a clear and easy to understand style

- To use plain English for all our communications with stakeholders
- To identify and use the most appropriate communication method taking account of differing stakeholders needs
- To use technologies to provide up to date and timely information to stakeholders
- To engage with our stakeholders face-to-face when possible

Evaluation and continuous development

To ensure we are meeting the expectations of our stakeholders and to evaluate the effectiveness of our communications we will use the following methods:

- Feedback questionnaires
- Monitoring compliments and complaints

- Customer surveys
- To ensure continuous development we plan to:
- Implement member self-service in April 2015
- develop and publish a series of webinars and e-learning
- improve the web provision for Firefighters
- increase the information we give to employing authorities when they join the scheme or change main contacts

Communications events 2015–2016

Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members & prospective members)	Newsletter	2/3 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print/web
	Member fact sheets	On request/constant	Print/web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop ins	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
LGPS deferred members (including representatives of deferred members)	Newsletter	1 per year	Mail
	Annual benefit statement	1 per year	Mail
	Annual meeting	1 per year	Meeting

	www.wypf.org.uk	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Social media	Constant	Web
Communication	Format	Frequency	Method of distribution
LGPS pensioner members (including representatives of retired members)	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web

Communications events - 2015–2016 Fire fighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)	Newsletter	At least 1 per year	Mail
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop-ins	On employer request	Face to face

	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Scheme booklet	Constant	Web
Communication	**Format**	**Frequency**	**Method of distribution**
Firefighter deferred members (including representatives of deferred members)	Annual Benefit Statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
Communication	**Format**	**Frequency**	**Method of distribution**
Firefighter – pensioner members (including representatives of pensioner members)	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

Communications events 2015–2016 Councillors

Communication	Format	Frequency	Method of distribution
Councillor active members (including representatives of active members & prospective members)	Newsletter	2/3 per year	e-mail
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	e-mail
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	As and when required	Meeting/Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Social media	Constant	Web

Communications events - 2015–2016 Employing authorities

Communication	Format	Frequency	Method of distribution
Employing authorities	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
Communication	**Format**	**Frequency**	**Method of distribution**
Employing authorities	Employer guide	Constant	Web/electronic document
	Ad hoc training	As and when required	Face to face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting

	Manual/toolkits	Constant	Web/electronic document
	Pension Matters and Xtra	12 per year and as and when required	E-mail
	Social media	Constant	Web
	Adhoc meetings	As and when required	Face to face
	Workshops	10 per year	Face to face

Contacts us

Members

WYPF contact centre

Tel: (01274) 434999
Email: wypf@bradford.gov.uk
Address: WYPF, PO Box 67, Bradford, BD1 1UP

Employers

Jenny Gregory (Team Manager – Business Relations): 01274 437588

Pension Fund Representatives

David Parrington: 01274 433840
Sheryl Clapham: 01274 432541
Lisa Darvill: 01274 432540

WYPF management

Rodney Barton Director WYPF

Yunus Gajra Business Development Manager

Grace Kitchen Service Centre Group Manager

Ola Ajala Financial Controller

Caroline Blackburn Technical and Development Manager

Statement of Investment Principles

1. Introduction

1.1 The Statement of Investment Principles has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

1.2 City of Bradford Metropolitan District Council became the administering authority of the West Yorkshire Pension Fund in 1986. The Fund covers the five District Councils of West Yorkshire together with numerous other employers.

2. Investment Decision Making Process

2.1 The Council has delegated all its functions as administering authority of the Pension Fund to the Governance and Audit Committee. The Director - West Yorkshire Pension Fund, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the Fund's investment functions.

2.2 The Panel determines the investment policy of the Fund and has ultimate responsibility for investment strategy. The Panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.

2.3 Once the investment strategy has been set at the quarterly meetings of the Panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

3. Types of Investments To Be Held

3.1 The West Yorkshire Pension Fund will hold investments in Fixed Interest Securities, Equities, Index Linked Securities, Managed and Unitised Funds (including Property Unit Trusts), Alternative Investments, and Cash Deposits, covering all the world markets.

3.2 A proportion of the Fund's investments will be held in Emerging Markets, both through direct investments and pooled vehicles.

3.3 The Fund will invest in Private Equity, Infrastructure, Hedge Funds and Listed Alternatives which, together with Property, will be classed as Alternative Investments.

3.4 The Fund will not invest directly in unquoted companies, as the Fund's private equity investment will be undertaken via a portfolio of funds.

3.5 Stock lending will be actively pursued up to the 35% limit as permitted under the Regulations. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

4. Balance Between Different types of Investment

4.1 The biggest proportion of the Fund's investment will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.

4.2 Fixed Interest Securities, Index Linked Securities, Alternative Investments and Cash Deposits will make up the balance of investment. The distribution of investments between the asset classes will vary based on perceived economic and market conditions.

4.3 The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2014/15 the Fund will invest within the following control ranges for each asset class. Depending on market conditions, the Fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

	Range %
Bonds – Total	14–20
UK Fixed Interest Gilts	2–8
UK Index Linked Gilts	2–8
Corporate Bonds	1–7
Global Bonds	1–5
Equities – Total	57.5–72.5
UK Equities	30–40
Overseas Equities	25–35
Property	3–7
Private Equity	3–7
Private Infrastructure	0–4
Hedge Funds	1–5
Listed Alternatives UK	0–2
Listed Alternatives OS	0–2
Cash	0–2

5. Risk

5.1 To minimise risk, the investment portfolio of the Fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.

5.2 Risk will also be controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an 'Investment Strategy Review' for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

5.3 Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

5.4 Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's Actuary.

5.5 Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

6. Expected Return on Investments

The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be such as to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by the WM Company.

7. Realisation of Investments

The majority of investments to be held will be in fixed interest securities and equities that are quoted on recognised stock markets, and may be easily realised if required. The liquidity in other asset classes varies enormously.

8. Transaction Costs

8.1 The in-house team of investment managers utilise a core list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and Overseas share transactions are at competitive rates negotiated by the in-house investment managers. There are no soft commissions or commission recapture programmes.

8.2 Transaction fees and custody fees are paid to HSBC for transactions on terms agreed with HSBC under the contract for banking services.

9. Socially Responsible Investment

9.1 Investment decisions are taken based on financial and commercial considerations so as to yield the best return by way of income and capital appreciation. If it is shown that particular types of social, environmental and ethical investment can produce at least comparable returns, then the Fund will invest in such companies as part of the normal investment process.

9.2 The voting policy of the West Yorkshire Pension Fund is viewed as a fundamental contribution towards socially responsible investment. The Fund is committed to ensuring that the companies in which it has a shareholding adopt sound principles of corporate responsibility, particularly in relation to environmental and employment standards. The Fund will utilise its shareholding wherever possible, through the voting policy and engagement, to exert influence on those companies falling short of acceptable standards.

9.3 The WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 60 local authority pension funds with combined assets of £150 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

9.4 The WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

9.5 The WYPF first became a signatory to the Carbon Disclosure Project (CDP) in 2007. The CDP seeks information from over 2,750 companies world-wide on their Greenhouse Gas Emissions.

10. Exercise of Rights Attached to Investments

10.1 The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, and Japanese companies in the TOPIX index, and companies in all other countries, in which the Fund has a shareholding. The voting policy to be adopted by the Fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry who provide policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the Fund's voting policy, and its voting activity is published on the Fund's website.

10.2 Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.

10.3 The Fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

11.Myners' Report

11.1 In 2000, the Government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners of Gartmore Fund Management Group. Paul Myners published the outcome of his review in a report in March 2001. In response to the proposals contained in the review, the Government issued a set of investment principles. Since then HM Treasury has undertaken a review of the principles following a consultation, which was based on a study commissioned by the Government and carried out by the National Association of Pension Fund. The outcome of the consultation has been to produce a smaller number of high-level principles, and they cover the six areas of effective decision making; clear objectives; risk and liabilities; performance assessment; responsible ownership; and transparency and reporting.

11.2 The extent to which WYPF has adopted these investment principles is described in the following paragraphs in accordance with the guidance issued by the Secretary of State for Communities and Local Government.

12.Effective Decision-Making

The Investment Panel encompasses a range of expertise, supported by external investment advisers and the in-house team of investment managers. In fact, the external investment advisers and senior investment managers attend all meetings of the Panel so as to provide the necessary expert advice to support the Panel members in coming to their decisions. Great emphasis is placed on training for Panel members, and a number of initiatives on this front have been, and continue to be, developed. Attempts are being made to ensure that Panel members have a minimum tenure of appointment of at least three years on the Panel so as to ensure continuity and a build-up of experience. An annual business plan for the Panel is produced.

13.Clear Objectives

Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's Statement of Investment Principles and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

14.Risk and Liabilities

Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. The Investment Panel has commissioned independent asset and liability studies from time to time to provide comment on the current asset policy and associated risks. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

15.Performance Assessment

The Panel formally monitors the investment performance of the Fund annually at one of its meetings, and an assessment is made of the in-house managers' and external investment advisers' performance against the investment target return. Since 2005 the Fund has used a fund-specific benchmark to compare actual asset allocation and investment returns. Specific performance and volatility targets are given to the Hedge Funds managers in which WYPF invests. Arrangements have been put in place for several years now for the external investment advisers to assess the effectiveness of the Panel itself on an annual basis.

16.Responsible Ownership

The WYPF actively votes its shares in all UK companies, the top 300 European companies, the US S&P 500 companies, the Japanese TOPIX companies and in companies in all other countries, in which it has a shareholding. WYPF also jointly engages with companies through its membership of the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change, and the Carbon Disclosure Project.

17.Transparency and Reporting

The Statement of Investment Principles is regularly updated and is available on the Fund's website. Details of the Fund's voting policy and voting activity is also published on the website

APPENDIX H1

Conflicts of Interest Policy

1. Introduction

1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

1.3 This is the Conflicts of Interest Policy of the West Yorkshire Pension Fund (WYPF), which is managed by City of Bradford MDC (CBMDC). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the WYPF whether directly or in an advisory capacity.

1.4 This Conflicts of Interest Policy is established to guide Joint Advisory Group, Investment Advisory Panel, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

2. Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:

- all staff and Joint Advisory Group, Investment Advisory Panel and Pension Board members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is open in all its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund is at the forefront of best practice for LGPS funds
- all Conflicts of Interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the Administering Authority achieving its governance objectives.

3. Application of this policy

3.1 This Conflicts of Interest Policy applies to all Joint Advisory Group, Investment Advisory Panel and Pension Board member, including scheme member and employer representatives, whether voting members or not. It applies to all members of WYPF Management Team.

3.2 This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

3.3 Director - WYPF will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as appropriate.

3.4 This Policy also applies to all advisers and suppliers to the Fund, whether advising the Joint Advisory Group, Investment Advisory Panel, Pension Board or Fund officers, in relation to their role in advising or supplying the Fund.

3.5 In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.

3.6 In accepting any role covered by this Policy, those individuals agree that they must:

- acknowledge any potential conflict of interest they may have;
- be open with the Administering Authority on any conflicts of interest they may have;
- adopt practical solutions to managing those conflicts; and
- plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

4. Legislative and related context

There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

5. Other administering Authority Requirements

Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct
- employees who are required to adhere to the CBMDC Employees' Code of Conduct
- advisers who are expected to have their own policies or protocols.

Further information is provided in Appendix 2.

6. What is a Conflict or potential Conflict and how will it be managed?

6.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and
- at the same time, has:
  - a separate personal interest (financial or otherwise) or
  - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 3.

6.2 CBMDC encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

6.3 CBMDC will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Pension Fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue

- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue

- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, CBMDC shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

7. Responsibility

The Administering Authority for the WYPF Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director - WYPF is the designated individual for ensuring the procedure outlined below is adhered to.

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

8. Operational procedures

8.1 Declaration at Appointment

8.1.1 On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest form. The information contained in this declaration will be collated into the Pension Fund's Register of Conflicts of Interest.

8.2 Declaration at Meetings

8.2.1 At the commencement of any Joint Advisory Group, Investment Advisory Panel, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts.

8.2.2 These will be recorded in the Fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available by the Director - WYPF to the Chair of every meeting prior to that meeting.

8.2.3 Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair and the Director - WYPF prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Director - WYPF, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.

8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Director – WYPF and where it relates to the business of any meeting, also to the Chair of that meeting. The

Director - WYPF, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict.

8.2.5 Where information relating to any potential or actual conflict has been provided, the Director - WYPF may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.

8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the Fund's Register of Conflicts of Interest.

8.3 Annual Declaration

8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration.

8.4 Conduct at Meetings

8.4.1 There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Joint Advisory Group or Investment advisory Panel meeting, and that this will be recorded in the minutes.

9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to Director - WYPF as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to CBMDC as Administering Authority
- notify the Director – WYPF immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund’s Register of Conflicts of Interest.

10. Monitoring and reporting

10.1 The Fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition information relating to conflicts of interest will be published in the Fund's Annual Report and Accounts.

10.2 In order to identify whether the objectives of this Policy are being met the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

11. Key Risks

11.1 The key risks to the delivery of this Policy are outlined below all of which could result in an actual conflict of interest arising and not being properly managed. The Director - WYPF will monitor these and other key risks and consider how to respond to them, taking advice from the City Solicitor where required.

The key risks are:

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

12. Costs

All costs related to the operation and implementation of this Policy will be met directly by WYPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

APPENDIX H2

Legislation, Regulation and Guidance on Conflicts of Interest

The requirements in relation to the management of potential or actual conflicts of interest for those involved in LGPS funds are contained in various elements of legislation and guidance.

The Public Service Pensions Act 2013

Section 5 of this Act requires that the scheme manager (in the case of the LGPS, this is the administering authority) must be satisfied that a local pension board member does not have a conflict of interest at the point of appointment and from time to time thereafter. It also requires local pension board members (or nominated members) to provide reasonable information to the scheme manager for this purpose.

The Act defines a conflict of interest as "a financial or other interest which is likely to prejudice the person's exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme)."

Further, the Act requires that scheme managers must have regard to any such guidance that the national scheme advisory board issue.

The Local Government Pension Scheme Regulations 2013

Regulation 108 of these Regulations applies the requirements of the Public Service Pensions Act (as outlined above) to the LGPS, placing a duty on each administering authority to satisfy itself that local pension board members do not have conflicts of interest on appointment or whilst they are members of the board. It also requires those pension board members to provide reasonable information to the administering authority in this regard.

Regulation 109 states that each administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards. Further, regulation 110 provides that the national scheme advisory board has a function of providing advice to administering authorities and local pension boards. At the point of writing this Policy, the shadow LGPS national scheme advisory board has issued guidance relating to the creation of local pension boards including a section on conflicts of interest. It is expected that this guidance will be adopted by the scheme advisory board when it is established and possibly also by the Secretary of State. This Conflicts of Interest Policy has been developed having regard to that guidance. The guidance can be viewed at: www.lgpsboard.org/index.php/about-the-board/board-guidance

The Pensions Act 2004

The Public Service Pensions Act 2013 added a number of provisions to the Pensions Act 2004 related to the governance of public service pension schemes and, in particular, conflicts of interest.

Section 90A requires the Pensions Regulator to issue a code of practice relating to conflicts of interest for pension board members. The Pensions Regulator has issued such a code and this Conflicts of Interest Policy has been developed having regard to that code. The code can be viewed at:

www.thepensionsregulator.gov.uk/guidance/guidance-conflicts-of-interest.aspx

Further, under section 13, the Pensions Regulator can issue an improvement notice (i.e. a notice requiring steps to be taken to rectify a situation) where it is considered that the requirements relating to conflicts of interest for Pension Board members are not being adhered to.

The Localism Act 2011

Chapter 7 of this Act requires councillors to comply with the code of conduct of their local authority and that code of conduct must be consistent with the Seven Principles of Public Life (set out below). In addition the Act requires that the code of conduct must include provisions requiring the disclosure and registration of pecuniary interests and interests other than pecuniary interests.

The Seven Principles of Public Life

Otherwise known as the 'Nolan Principles', the seven principles of public life apply to anyone who works as a public office-holder. This includes people who are elected or appointed to public office, nationally and locally, and all staff in:

- the civil service
- local government
- the police
- the courts and probation services
- non-departmental public bodies
- health, education, social and care services

The principles also apply to all those in other sectors that deliver public services.

Many of the principles are integral to the successful implementation of this Policy. The principles are as follows:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership.

Advisers' Professional Standards

Many advisers will be required to meet professional standards relating to the management of conflicts of interest, for example, the Fund Actuary will be bound by the requirements of the Institute and Faculty of Actuaries. Information about these requirements can be viewed at: www.actuaries.org.uk/regulation/pages/conflicts_of_interest

Any Protocol or other document entered into between an adviser and the Administering Authority in relation to conflicts of interest, whether as a requirement of a professional body or otherwise, should be read in conjunction with this Policy.

Other Administering Authority Requirements

In addition to the requirements of this Policy, Joint Advisory Group, Investment Advisory Panel and Pension Board members and co-opted members (including non-voting co-opted members) are required to adhere to the CBMDC Members' Code of Conduct or the CBMDC Code of Conduct for Employees.

Pension Board Members

In addition to the requirements of this Policy, Pension Board members are required to adhere to the Terms of Reference of the Pension Board.

Employees

In addition to the requirements of this Policy, officers of CBMDC are required to adhere to the CBMDC Code of Conduct for Employees.

Advisers

The Administering Authority appoints its own advisers. There may be circumstances where these advisers are asked to give advice to CBMDC or other scheme employers, or even to scheme members or member representatives such as the Trades Unions, in relation to pension matters. Similarly, an adviser may also be appointed to another administering authority which is involved in a transaction involving the WYPF and on which advice is required. An adviser can only continue to advise the Administering Authority and another party where there is no conflict of interest in doing so.

Where the Pension Board decides to appoint an adviser, this can be the same person, or organisation as is appointed to advise the Investment advisory Panel or joint advisory Group or Fund officers as long as there is no conflict of interest between the two roles.

The key advisers are all expected to have their own policies or protocols on how conflicts of interest will be managed in their relationships with their clients, and these must be shared with the Fund.

Appendix 3

Examples of potential Conflicts of Interest

a) An elected member on the Joint Advisory Group or Investment Advisory Panel is asked to provide views on a funding strategy which could result in an increase in the employer contributions required from the employer he or she represents.

b) A member of the Joint Advisory Group or Investment Advisory Panel is on the board of a Fund Manager that is being considered for appointment.

c) An officer of the Fund or member of the Joint Advisory Group or Investment Advisory Panel accepts a dinner invitation from a service provider who has submitted a bid as part of a tender process.

d) An employer representative on the Pension Board is employed by a company to which the administering authority has outsourced its pension administration services and the Pension Board is reviewing the standards of service provided by that company.

e) The person appointed to consider internal disputes is asked to review a case relating to a close friend or relative.

f) An officer of the Fund is asked to provide guidance to the Pension Board on the background to an item considered at the Joint Advisory Group or Investment Advisory Panel. This could be a potential conflict as the officer could consciously or sub-consciously avoid providing full details, resulting in the Board not having full information and not being able to provide a complete view on the appropriateness or otherwise of that item.

g) An employer representative employed by the administering authority and appointed to the Pension Board to represent employers generally could be conflicted if he or she only acts in the interests of the administering authority, rather than those of all participating employers. Equally, a member representative, who is also a trade union representative, appointed to the pension board to represent the entire scheme membership could be conflicted if he or she only acts in the interests of their union and union membership, rather than all scheme members.

h) A Fund adviser is party to the development of a strategy which could result in additional work for their firm, for example, providing assistance with monitoring the covenant of employers.

k) An employer representative has access to information by virtue of his or her employment, which could influence or inform the considerations or decisions of the Joint Advisory Group, Investment Advisory Panel or Pension Board. He or she has to consider whether to share this information in light of their duty of confidentiality to their employer. Their knowledge of this information will put them in a position of conflict if it is likely to prejudice their ability to carry out their functions as a member of the Joint Advisory Group, Investment Advisory Panel or Pension Board.

Page 267

WYPF Risk Management Report

West Yorkshire Pension Fund

APPENDIX I – RISK MANAGEMENT REPORT

Introduction

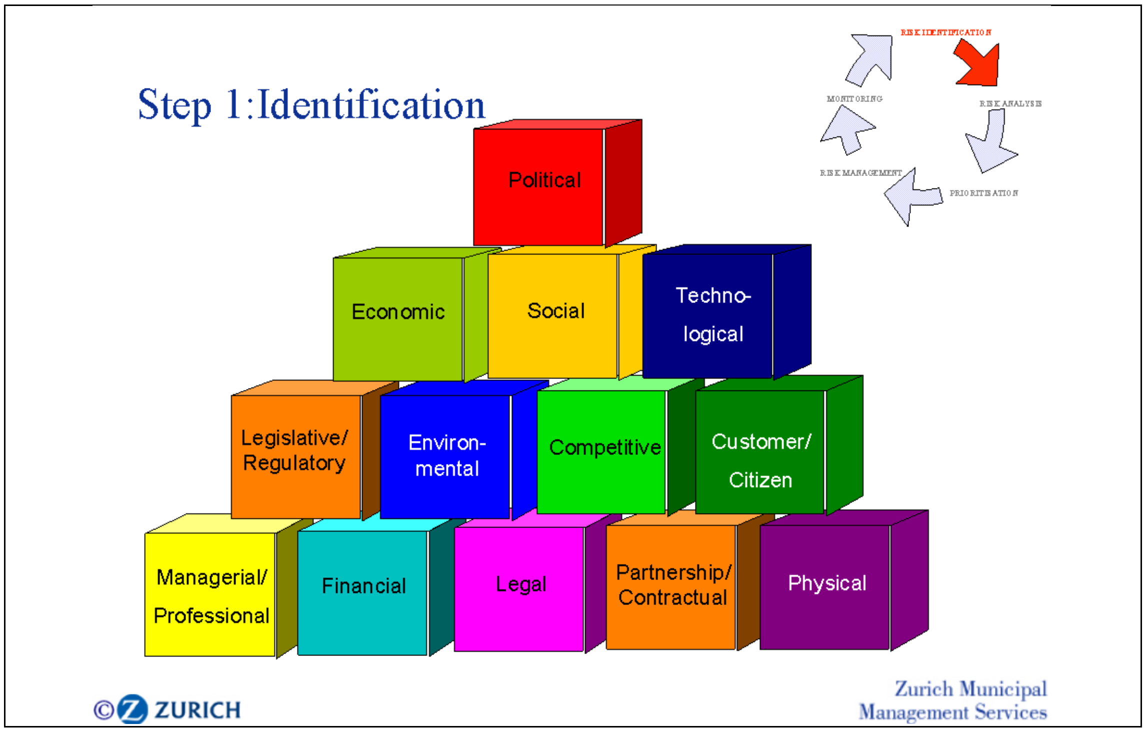
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior Managers and covers 13 categories of risk as shown below.



Identified risks

Economic

Scenario	Short name
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports

Political

Scenario	Short name
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel and JAG members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
54	Introduction of LGPS 2014
55	Impact of Central Government Spending Review

Technological

Scenario	Short name
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data

Legislative/Regulatory

Scenario	Short name
19	Lots of legislative/regulatory change with no resource given to implement
35	Administration of the LGPS

Managerial/Professional

Scenario	Short name
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff

Scenario	Short name
49	Key staff on long term absence

Finance

Scenario	Short name
24	Finance aren't always involved in other sections' decision making processes
31(a) 31(b) 31(c)	External fraud – Life Certificates External fraud – Returned payments/payslips External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund
42	Admin costs
48	Prompt payment of pension
56	Monthly Contribution Returns

Competitive

Scenario	Short name
27	Lack of PI's and overall performance management framework
57	Lincolnshire Pension Fund Shared Service

Customer / Citizen

Scenario	Short name
43	Customer Satisfaction

Social

Scenario	Short name
4	Reduction in proportion of active members

Partnership / Contractual

Scenario	Short name
20	Partnership with South Yorkshire Fire and Humberside Fire
38	Firefighters Pension Scheme
53	South Yorkshire Fire, Humberside Fire and North Yorkshire Fire

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

Appendix 1 shows all the risks that are rated on the profile.

.

The top risks facing WYPF are identified as:

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by District Councils than other Employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
54	Introduction of LGPS 2014

Scenario	Short name
55	Impact of Central Government Spending Review
56	Introduction of monthly contribution returns
57	Lincolnshire Pension Fund Shared Service

To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

West Yorkshire Pension Fund

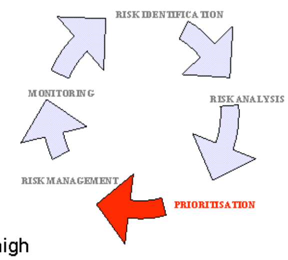
APPENDIX I – RISK MANAGEMENT REPORT

As part of a regular review, 46 risks have been identified and framed into scenarios. The risks identified have been rated, 18 of these above their acceptable tolerance level, 25 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – July 2014

Likelihood	IV	III	II	I
A				
B		9, 19,	55	
C		1, 24,	2, 4, 6, 12, 13, 21, 22, 41,45,	
D	20,	7, 8, 17, 31(c), 40, 42, 46, 50	10, 31(b), 43, 44, 48,,49, 56	57
E	27	15, 38, 53	3, 5,, 16, 31(a), 36, 47, 51	
F			35	

Impact



Likelihood:

A Very high
B High
C Significant
D Low
E Very low
F Almost impossible

Impact:

I Catastrophic
II Critical
III Marginal
IV Negligible

APPENDIX I – RISK MANAGEMENT REPORT

Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAP's were then agreed for those risks above the tolerance line and are specified below:

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
2	C2	Valuation continues to register a deficit in the pension fund		Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions rise in longevity (Funding level remains the main comparator)	• Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact Customer complaints about 'pension pay-offs'	Annually	Ongoing

West Yorkshire Pension Fund

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings. Introduction of Auto Enrolment will increase membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 200+ including 5 district councils.	Yunus Gajra	• Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and SIP become out of date Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing
6	C2	Council elections could bring about a change to Investment Panel and JAG members Equal levels of support given to all major political groups	Training plans for new members to be drawn up. Seek views from District Councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings	
10	D2	Change of Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: • Civica user group • EDM user group • LGPS group • Payroll user group	Ensure regular attendance and report back from the User Groups/Meetings as necessary. Assessment of Current State sub project is intended to ensure benefits are realised.	Yunus Gajra David Robertson	Improved systems , costs savings, better reporting, employer internet, member internet facilities available. Develop product that meets WYPF requirements	Quarterly	Ongoing

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
12	C2	Lack of Information sharing with employers Too much information is supplied by employers on paper medium	Enhancements to UPM2 are progressing.	Develop employers web site Encourage automatic transmission of starter, amendment and leaver data. The Fund operates an 'Pensions Administration Strategy' document which sets out the action required by Employing Authorities and WYPF.	David Robertson / Yunus Gajra	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing
13	C2	Disaster recovery	Disaster recovery plan in place with ICM for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required. Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing
21	C2	Greater level of support required/expected by some employers	Turn down requests for support, treat it as low priority or to charge for the additional work	Monitor number and type of requests for support	Management Review	Reduce the number of non standard requests	Monthly	Ongoing
22	C2	Recruitment and retention of experienced staff in Pensions Administration, particularly in relation to single status not recognising market forces.	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff.	Monitor salaries in both public and private sector. Increase flexible working to retain staff	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing

West Yorkshire Pension Fund

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
31(b)	D2	External Fraud Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit.	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	No cases of fraud or earlier discovery Establish tighter controls in system for production of data for NFI exercise	Annual	
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits. Asset and liability study being done.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing	

Page 280

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
43	D2	Customer satisfaction drops below acceptable levels Newsletters to current members issued three times a year, pensioners and deferred members once a year, councillor members once a year Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published SIP Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance policy statement and Communications policy published.	Adequate	Revise SIP each year Produce a Pensions Administration Strategy, Governance reviewed, Compliance statement produced.	Yunus Gajra JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	March nn

Page 281

West Yorkshire Pension Fund

APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates
44	D2	Payroll failure Payroll contingency plan in place Disaster Recovery plan in place	Adequate	Review plans	David Robertson/Grace Kitchen	No effect on service provision	As required	Ongoing review
45	C2	Industrial Action Contingency plans in place	Adequate	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required	
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required	
49	D2	Key staff on long term absence	Document all procedures to ensure cover is available from other staff	Monitor absences and take action at key dates	Senior Managers	No effect on service provision	As required	As required
50	D3	Access to sensitive/personal data by staff	Only authorised staff have access to WYPF records	DBS checks are carried out for all new staff	Yunus Gajra	Prevent unauthorised access	As required	
55	B2	Impact of Central Government Spending Review	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing
56	D2	Introduction of monthly contribution returns	Briefings and requirements specified to Employers. Pilot project set up with Big 5 Employers, Internal resources allocated to project.	Monitor returns from Employer and chase up missing ones	Ola Ajala	Receipt of monthly returns which get posted to members records	Monthly	Monthly
57	D1	Lincolnshire Pension Fund Shared Service	Project Team set up to oversee project	Produce a project plan	Yunus Gajra	Smooth transition from Mouchel to WYPF and service effective from 1.4.15.	Monthly	See Project Plan

The risks identified but below their acceptable tolerance level require no further action at this time

West Yorkshire Pension Fund

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

West Yorkshire Pension Fund - Pension Board

Legislative Requirements

1.1 In accordance with the Pensions Act 2004, every individual who is a member of a Pension Board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS) , in other words the Regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations); and
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund,

1.2 Board Members should also have knowledge and understanding of:

- the law relating to pensions; and
- such other matters as may be prescribed.

1.3 Board Members legal responsibilities begin from the day they take up their role and therefore should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.

1.4 Board Members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Board.

1.5 Board Members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.

Degree of Knowledge and Understanding

2.1 Being conversant with the rules of the LGPS and any document recording policy about the administration of the Fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the Administering Authority.

2.2 Board Members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A

2.3 The rules of the LPGS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including and earlier Regulations as defined in the Transitional regulations) to the extent they remain applicable and any statutory guidance referred to in the regulations.

2.4 To ensure knowledge and understanding of the Pension Board is maintained 50% of the Board will be appointed on a 2 year rolling basis.

Induction Training

As part of the induction training Board Members are required to undertake the Pensions Regulator's online toolkit training. This training provide will enable Board Members to learn about managing public service pension schemes.

The Pensions Regulators website can be found at:
http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx

A document which will help identify training needs and to record and reflect on the training once completed can be found at:
www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning needs.doc.

The Pensions Regulator website includes further details on Understanding your Role and Scheme Management.

Training

4.1 Board Members are expected to attend regular training events.

4.2 Training will be delivered through a variety of methods including:

- In house training days provided by officers and/or external providers
- Training as part of meetings provided by officers and/or external advisers
- External training events
- Circulation of reading material
- Attendance at seminars and conferences offered by industry- wide bodies
- Links to on-line training

4.3 Appendix B can be used to help assist Board members to identify areas where training is required

Appendix A

Policies which are documented and which you must have a working knowledge are:

	Where they can be found
Member and Employer information	
Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedure, including AVC guides).	www.wypf.org.uk

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

Relevant policies	
Conflicts of Interest Policy	To be supplied
Internal Dispute Resolution Procedure	www.wypf.org.uk/Member/Publications/Booklets
Reporting of Breaches Procedure	To be supplied
WYPF Policy Statements	
Statement of Investment Principles	www.wypf.org.uk/Member/Publications/policyStatements
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	To be supplied
Others	
Actuarial Valuation report and Rates and Adjustment Certificate	www.wypf.org.uk/Member/publications/Valuation
WYPF Risk Register	To be supplied
Annual Report and Accounts	www.wypf.org.uk/Member/Publications/ReportAndAccounts
Investment Management and activity	www.wypf.org.uk/Member/Investments

Appendix B

Pension Knowledge and Understanding training analysis

	Training Required Yes/No	Date Training received
Background and Understanding of the Legislative Framework of the LGPS		
• Differences between public service pension schemes like the LGPS and private sector trust-based schemes		

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

	Training Required Yes/No	Date Training received
• Role of the IPSPC and its recommendations • Key provisions of the 2013 Act • The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers • An overview of local authority law and how Administering Authorities are constituted and operate • LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations) ☐		
General pensions legislation applicable to the LGPS An overview of wider legislation relevant to the LGPS including: • Automatic Enrolment (Pensions Act 2008) • Contracting out (Pension Schemes Act 1993) • Data protection (Data Protection Act 1998) • Employment legislation including anti-discrimination, equal treatment, family related leave and redundancy rights • Freedom of Information (Freedom of Information Act 2000) • Pensions sharing on divorce (Welfare Reform and Pensions Act 1999) • Tax (Finance Act 2004) • IORP Directive		
Role and responsibilities of the Local Pension Board • Role of the Local Pension Board • Conduct and conflicts		

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

	Training Required Yes/No	Date Training received
• Reporting of breaches • Knowledge and understanding • Data protection		
Role and responsibilities of the Administering Authority • Membership and eligibility • Benefits and the payment of benefits • Decisions and discretions • Disclosure of information • Record keeping • Internal controls • Internal dispute resolution • Reporting of breaches • Statements, reports and accounts		
Funding and Investment • Requirement for triennial and other valuations • Rates and adjustments certificate • Funding strategy statement • Bulk transfers • Permitted investments • Restrictions on investments • Statement of investment principles • CIPFA guidance • Appointment of investment managers • Role of the custodian		
Role and responsibilities of Scheme Employers • Explanation of different types of employers • Additional requirements for admission bodies • Automatic Enrolment		

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

	Training Required Yes/No	Date Training received
• Deduction and payment of contributions • Special contributions • Employer decisions and discretions • Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006) • TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)		
Tax and Contracting Out • Finance Act 2004 • Role of HMRC • Registration • Role of 'scheme administrator' • Tax relief on contributions • Taxation		
Role of advisors and key persons • Officers of the Administering Authority • Fund actuary • Auditor • Lawyers • Investment managers • Custodians • Administrators – in house v. third party • Procurement of services • Contracts with third parties		
Key Bodies connected to the LGPS An understanding of the roles and powers of: • Courts • Financial Services Authority		

	Training Required Yes/No	Date Training received
• HMRC • Information Commissioner • Pensions Advisory Service • Pensions Ombudsman • The Pensions Regulator		

Reporting Breaches Procedure

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the West Yorkshire Pension Fund (WYPF), the Local Government Pension Scheme managed and administered by City of Bradford MDC, in relation to reporting breaches of the law to the Pensions Regulator.

1.2 Breaches can occur in relation to a wide variety of tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

1.3 This procedure applies, in the main, to:

- all members of the Joint Advisory Group, Investment Advisory Panel and Pension Board;
- all officers involved in the management of the Pension Fund;
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the West Yorkshire Pension Fund who are responsible for pension matters.

2. Requirements

This section clarifies the full extent of the legal requirements and to whom they apply.

3. Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;

- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

  (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
  (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

3.2 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

3 Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the West Yorkshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 Clarification of the law

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:

www.legislation.gov.uk/ukpga/1996/18/contents

- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
  www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
  www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
  http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes)
  http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice:
  http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx
  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Director – WYPF provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Director - WYPF, a member of the Joint Advisory Group, Investment Advisory Panel or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

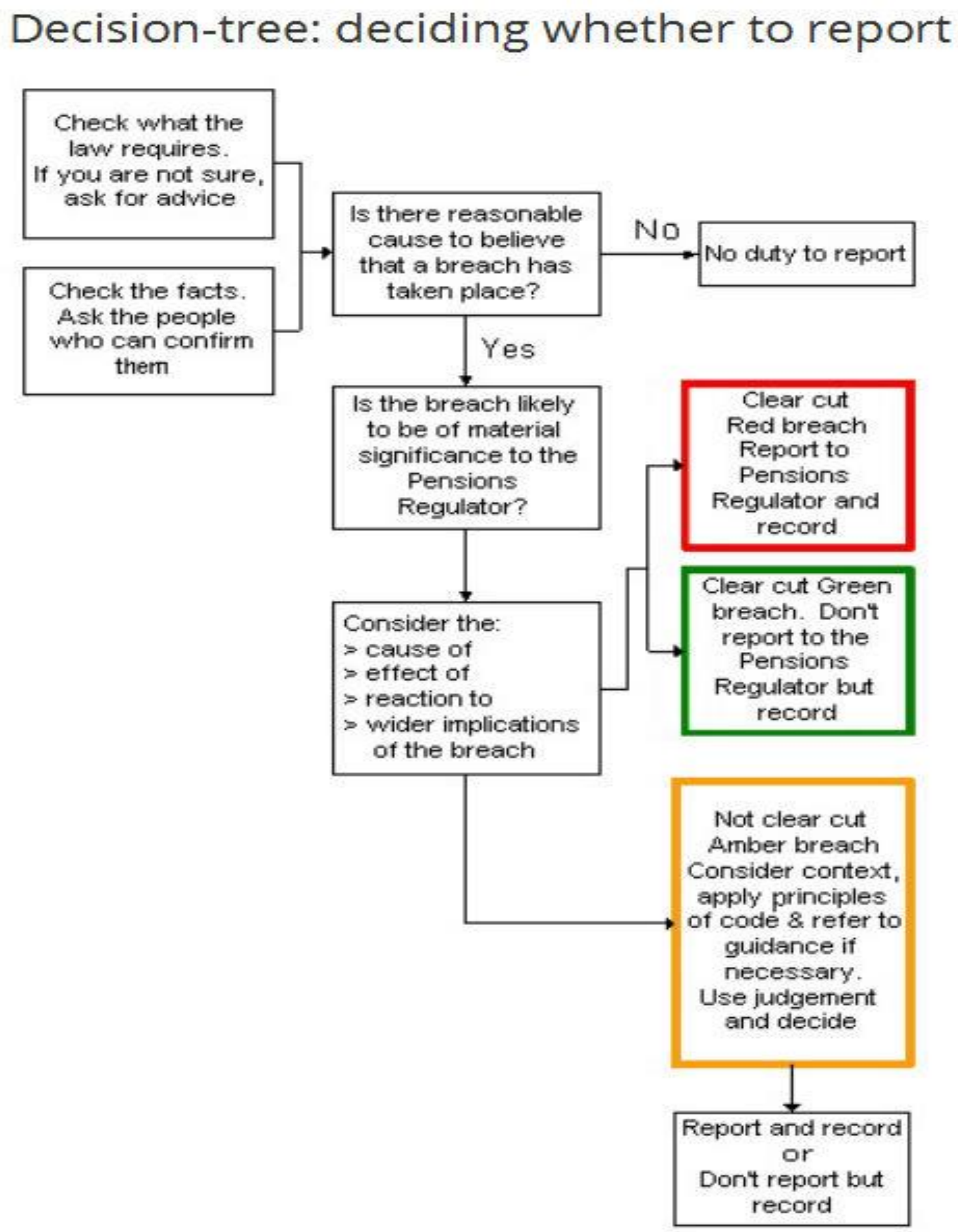
3.3 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure. Individuals should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.



3.5 Referral to a level of seniority for a decision to be made on whether to report

Director – WYPF is designated to ensure this procedure is appropriately followed. The Director is considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Director – WYPF at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Director - WYPF is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any officer if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Director - WYPF may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - http://www.lgpsregs.org/). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board, Joint Advisory Group, Investment Advisory Panel or Management meeting.

3.7. Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report, nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). WYPF will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Director – WYPF. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the next Joint Advisory Group meeting, and this will also be shared with the Pension Board.

3.10 Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (West Yorkshire Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is City of Bradford MDC).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);

- pension scheme registry number; and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to Joint Advisory Group and Pension Board

A report will be presented to the Joint Advisory Group and Pension Board setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 Review

This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

APPENDIX J1

1. Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

2. The cause of the breach

2.1 Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

2.2 When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

3. The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Joint Advisory Group, Investment Advisory panel or Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.

- Conflicts of interest of Joint Advisory Group, Investment Advisory panel or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

4. The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

5. The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

APPENDIX J – WYPF PENSION BOARD KNOWLEDGE AND UNDERSTANDING FRAMEWORK

APPERNDIX J2

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:

RED

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

AMBER

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.

GREEN

Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx**Red**

APPENDIX J3

Example Record of Breaches

Date	Category (e.g. administration contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

Pension Board of City of Bradford Metropolitan District Council for West Yorkshire Pension Fund

Terms of Reference

1. Introduction

1.1 City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The Council has established two bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the Council is required to establish a Pension Board. The Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.3 This document sets out the terms of reference for WYPF Pension Board.

2. Objectives

The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including:

2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS;

2.1.2 securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and

2.1.3 any other such matters as the LGPS regulations may specify.

3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

4. Membership and Appointment for Pension Board members

4.1 Membership of the Pension Board shall be eight (8) in number. The Pension Board will consist of an equal numbers of member and employer representatives.

4.2 Pension Board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

5. Employer representatives

Employers who participate in the Fund will nominate four (4) representatives to sit on the Pension Board as Employer Representatives from the following sources:

5.3.1 Three (3) representatives will be from West Yorkshire councils, one (1) of these three (3) will be appointed in accordance with 7.1 below.

5.3.2 One (1) representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

6. Member representatives

6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

6.2 Relevant Trade Unions, who have agreed to represent all categories of the membership, will nominate four (4) representatives to sit on the Pension Board as member representatives.

7. The Chair

7.1 The Council as Scheme Manager will appoint one Councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the Chair on the Pension Board

7.2 The Chair of the Board shall:

7.2.1 ensure that the Board delivers its purpose as set out in these Terms of Reference;

7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and

7.2.3 seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

8. Attendance at meetings

Each Pension Board member should endeavour to attend all Pension Board meetings during the year. In the event of consistent non-attendance by any Pension Board member then the tenure of the membership should be reviewed at the next Pension Board meeting.

9. Term of Office/Appointment

9.1 Subject to paragraph 5.2, Pension Board representatives will normally serve for a period of four (4) years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).

9.2 Upon initial establishment of the Board in 2015 50% of members (comprising of two (2) member representatives and two (2) employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.

9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

9.4 Pension Board members may be reappointed without limitation on terms subject to the Pension Board being satisfied as to the transparency and proper application of the appointment process in use.

10. Termination

10.1 Other than by ceasing to be eligible a Pension Board member may normally only be removed from office during a term of appointment by the agreement of the Board.

10.2 Board membership may be terminated prior to the end of the term of office due to:

10.2.1 A member representative no longer being a representative of the body on which their appointment relied

10.2.2 An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

10.2.3 A board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.

10.2.4 The representative being withdrawn by the nominating body and a replacement identified.

10.2.5 A board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.

10.2.6 A Board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.

10.2.7 A Board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the Administering Authority under the LGPS regulations.

11. Number of Meetings

11.1 The Pension Board will normally meet twice a year. The Chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.

11.2 In exceptional circumstances, meetings can be conducted via communications between members of the Board including telephone conferencing and emails.

12. Creation of Working Groups/Sub Boards

The Pension Board may establish sub-committees and working groups as and when required. The Pension Board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The Pension Board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

13. Code of Conduct and Conflicts of Interest policy

13.1 The principles included in the Council's Code of Conduct for Members applies to all member of the Pension Board. The Code of Conduct is set out in Part 4 of the Council's Constitution:

http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/about_bradford_council/council_constitution

13.2 No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.

13.3 All voting members of the Pensions Board must complete a Declaration of Acceptance of Office Form, and Disclosure of Financial and other interest form.

13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

14. Voting Rights

All representatives on the Pension Board have equal voting rights. Decisions made by the Pensions Board shall be on a majority basis. In the event of there not being a majority the Chair shall have the casting vote.

15. Other Attendees

15.1 The Pensions Board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

16. Secretariat Services to the Board

Pension Board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC "Constitution of the Council and Executive Arrangements". All reasonable costs will be met by the Fund.

17. Agenda

Prior to each meeting the Director of West Yorkshire Pension Fund will arrange to supply all members of the Board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the Chair.

18. Quorum

The quorum of the Pension Board shall be three. (Chair plus one employer representative and one member representative).

19. Publication

In accordance with the Act the Council shall publish information about the Board to include:

19.1.1 The names of Board members and their contact details
19.1.2 The representation of employers and member on the Board
19.1.3 The role of the Board
19.1.4 These Terms of Reference

20. Allowances/Expenses

No member or representative of the Pension Board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the Board and attending training events, shall be reimbursed to all members and the cost will be met by the Fund.

21. Knowledge and Understanding and Capacity of Representative Members

Every individual who is a member of the Pension Board must be conversant with:

21.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations); and

21.1.2 the requirements of the Pensions Regulator; and

21.1.3 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and have knowledge and understanding of:

- the law relating to pensions; and
- such other matters as may be prescribed.

21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.

21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

22. Accountability

22.1 The Board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the Board may attend a Committee meeting as an observer.

22.2 The Board should report any concerns over a decision made by the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.

22.3 On receipt of a report the Committee shall within a reasonable period, consider and respond to the Board.

22.4 Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.

22.5 Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

22.6 The appropriate internal route for escalation is to the Administering Authority Monitoring Officer.

23. Budget

The Pension Board is to be provided with adequate resources to fulfil its role. The Council will allocate an annual budget to cover the expenses of the board.

24. Core Functions:

24.1 The first core function of the Board is to assist the Council in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.

24.2 The second core function of the Board is to assist the Council to ensure the effective and efficient governance and administration of the Scheme.

24.3 In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Council's function. Any such request should be reasonably complied with in both scope and timing.

24.4 In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

25. Data Protection

25.1 The Pensions Board is considered a committee of and part of the Council's legal entity. The Council is and remains the data controller responsible for DPA compliance, including for processing carried out by the Pension Board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.

25.2 The Pension Board will therefore adhere to the data protection policies of the Council.

26. Review of Terms of Reference

26.1 These Terms of reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every two (2) years.

26.2 These terms of reference were adopted on:

APPENDIX K – PENSION BOARD TERMS OF REFERENCE

20th March 2015 - On behalf of the Council (Governance and Audit Committee)

City of Bradford MDC
www.bradford.gov.uk

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 29 September 2016.

M

Subject:

External audit's Audit Completion Report for the 2015/16 audit of West Yorkshire Pension Fund

Summary statement:

The report summarises the findings from the audit of West Yorkshire Pension Fund's 2015/16 financial statements.

Mark Kirkham
Partner
Mazars LLP

Report Contact: Steve Appleton
Phone: (01274) 432392
E-mail: steve.appleton@mazars.co.uk

Parveen Akhtar, City Solicitor

1. SUMMARY

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2016 and forms the basis for discussion at the Governance and Audit Committee meeting on 29 September 2016.

At the time of issuing this report we anticipate issuing an unqualified opinion on your statement of accounts.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee:

- consider the unadjusted misstatements schedule (section 5)
- approve the letter of requested representations (Appendix A) including the reasons for not amending the unadjusted misstatement

11. APPENDICES

Audit Completion Report 2015/16

12. BACKGROUND DOCUMENTS

None.

This page is intentionally left blank

Audit Completion Report

West Yorkshire Pension Fund – year ended 31 March 2016

29 September 2016

MAZARS

Mazars LLP
Mazars House
Gelderd Road
Leeds
LS27 7JN

Governance and Audit Committee
City of Bradford Metropolitan District Council
City Hall
Centenary Square
Bradford
BD1 1HY

September 2016

Dear Members

Audit Completion Report – Year ended 31 March 2016

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 15 April 2016. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 3836300 or mark.kirkham@mazars.co.uk.

Yours faithfully

Mark Kirkham
Partner and Engagement Lead

Mazars LLP

Contents

01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Governance and Audit Committee of West Yorkshire Pension Fund and forms the basis for discussion at the Governance and Audit Committee meeting on 29 September 2016.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing West Yorkshire Pension Fund; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016.

At the time of preparing this report, the following matters remain outstanding:

- review of events after the balance sheet date; and
- completion of our review procedures.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on your statement of accounts.

Our proposed audit report is set out in Appendix B.

02 Financial highlights

Fund Account

The statement shows the Fund’s dealings with pension fund members, employers, returns on investments and management expenses for the year. Expenditure has decreased from last year by £142m as there have been no further bulk outward transfers. Last year’s transfer of £170m to Greater Manchester Pension Fund for probation service members was a one-off event.

Contributions receivable and related income from members and employers has increased by £9m on last year due to increased numbers of employers now exceeding 400.

The net return on investments for the year was negative by £17m mainly due to the reduction in market value of investments reflecting weak market conditions at the end of the financial year.

There has been a non-material change to the presentation of management expenses in the Fund Account in line with CIPFA guidance designed to promote greater comparability in presentation among local government pension schemes.

Net Assets Statement

The statement shows the assets and liabilities of the Fund at the end of the financial year. Net assets have decreased by £108m on last year which primarily reflects the decrease in market value of investments.

In accordance with standard accounting practice no liabilities for future pensions or other benefits are recognised in the Net Asset Statement although the actuarial present value of promised retirement benefits as assessed by the actuary is disclosed at Note 12.

03 Significant findings

Set out below are the significant findings from our audit. These findings include:

- Our audit conclusions regarding the significant risks outlined in the Audit Strategy Memorandum.
- Our comments in respect of the accounting policies and disclosures in your financial statements. We have concluded that the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year.
- Any significant difficulties we experienced during the audit.

Significant risks

Management override of controls

Description of the risk
International Standards on Auditing 240 – *The auditor's responsibility to consider fraud in an audit of financial statement* (ISA 240) requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

In all entities, management at various levels within an organisation is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk by:

- evaluating and testing the basis for material accounting estimates included in the financial statements;
- reviewing unusual or significant transactions outside the normal course of business; and
- testing a sample of journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. There is no indication of management override of controls.

Valuation of unquoted investments for which a market price is not readily available

Description of the risk
As at 31 March 2016, the fair value of unquoted investments was £1.5 billion, which accounted for 14% of the Fund's total investments. As prices for these investments are not quoted in active markets, the values included in the accounts are based on those provided by investment managers, who use a variety of valuation techniques. Where the valuations do not coincide with the Fund's year end, an adjustment may be made for cashflows since the investment manager valuation. The high estimation uncertainty results in an increased risk of material misstatement.

How we addressed this risk

In addition to our standard programme of work in this area we carried out the following tests:

- reviewed the management controls in place to assess the reasonableness of the valuation;
- agreed the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation;
- agreed the investment manager valuation to audited accounts. Where these were not available, agreed the investment manager valuation to other independent supporting documentation;
- where audited accounts were available, checked that they are supported by a clear opinion; and
- reviewed relevant independent control assurance reports and confirmed that they do not highlight any risks of material misstatement.

Audit conclusion

Management estimate the value of unquoted investments based on the best available information of the year end value at the time the financial statements are prepared. We obtained additional information from external fund managers relating to the year-end value which was not available at the time the financial statements were prepared.

Based on sample testing, the net assets value statements at 31 March 2016 obtained from investment managers indicate a higher valuation by £8.7 million than the estimates included in the financial statements. Our extrapolation indicates a potential difference of £16.1 million if the sample results were true for the whole population. We consider the extrapolation does not indicate a risk of material misstatement.

Actuary's report disclosure

Description of the risk

The disclosure note sets out the Fund's actuarial position at the most recent triennial valuation as at 31 March 2013 and the contribution rate to be paid by participating bodies from 1 April 2014.

Although no accounting entries are associated with this disclosure, the triennial valuation determines future employer contribution rates and the disclosure itself is material. The calculation of these figures can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. There is a risk of material misstatement due to high estimation uncertainty.

How we addressed this risk

In addition to our standard program of work we have:

- reviewed the management controls you have in place over the source data;
- considered the reasonableness of the Actuary's output, using our expert's report on all actuaries nationally which is commissioned annually by the National Audit Office; and
- reviewed source data on a sample basis.

Audit conclusion

We have identified no matters to report arising from our work the actuary's report disclosure.

Accounting policies and disclosures

We have reviewed West Yorkshire Pension Fund's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting 2015/16.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Electors' rights to inspect the accounts

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the administering authority set this period as 1 July 2016 to 11 August 2016. We received no questions or objections within this period relating to the pension fund.

04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have identified no matters to report. If we had performed more extensive procedures on internal control we might have identified deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

As part of our audit we completed a review of IT general controls. We reported our findings to management and there were no matters which we considered sufficiently significant to report separately to you.

05 Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level (£1,439,000), are set out below. The table outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

No adjustments have been to the primary statements during the course of the audit.

Unadjusted misstatements 2015/16

		Fund Account		Net Assets Statement	
		Debit £'000	Credit £'000	Debit £'000	Credit £'000
1	Debit: Investment assets	**-**	**-**	**16,130**	**-**
	Credit: Profit and losses on disposal of and changes in the market value of investments	**-**	**16,130**	**-**	**-**
	This is the difference between the estimated valuation of unquoted investments at 31 March 2016 included in the accounts and a later estimate of year end valuation using more up to date information available at time of audit. The figure is extrapolated from the results of sample testing to the whole population. The actual difference identified is £8,704,905.				
2	Debit: Profit and losses on disposal of and changes in the market value of investments	**22,358**	**-**	**-**	**-**
	Credit: Investment assets (opening balance)	**-**	**-**	**-**	**22,358**
	Unadjusted misstatements from the prior year which impact on current year figures are brought forward from the previous period. This is the same issue as reported at item 1 above although arising in the prior year. The difference in estimates for the valuation of unquoted investments at 31 March 2015 was included in our Audit Completion Report last year (September 2015) and management declined to amend on the basis of non-materiality. The difference affects the investment opening balance and the calculation of the change in market value of investments for the year.				
3	Debit: Profit and losses on disposal of and changes in the market value of investments	**1,801**	**-**	**-**	**-**
	Credit: Investment assets	**-**	**-**	**-**	**1,801**
	This corrects an error in the valuation of an investment denominated in US dollars which was incorrectly classified as being denominated in sterling. The error was identified by management procedures after preparation of the draft financial statements.				

Disclosure amendments

1. Contributions receivable (Note 6)

The analysis of contributions by type was amended to re-classify amounts received from AVC providers (£4,380,000) as 'employees' additional contributions' rather than 'employees' normal contributions'. The adjustment relates solely to the presentation of contributions by type within the disclosure note and does not impact on the primary statements showing the Fund's financial performance for the year and financial position at year end.

2. Geographical analysis of investments (Note 17)

The analysis was amended to re-classify investments to the most appropriate geographical area. The reclassification does not impact on the primary statements or the Fund's financial performance or financial position.

3. Current liabilities (Note 21)

Liabilities of £991,000 relating to accruals for administration and other expenses were reclassified within the disclosure note as ‘other current liabilities’ rather than ‘unpaid benefits’. The adjustment relates solely to the presentation of liabilities within the disclosure note and does not impact on the primary statements showing the Fund’s financial performance for the year and financial position at year end.

4. Other minor presentational changes

We also agreed a small number of minor presentational changes to the disclosure notes and to the Pension Fund annual report to improve clarity for readers.

Appendix A – Draft management representation letter

West Yorkshire Pension Fund - audit for year ended 31 March 2016

This representation letter is provided in connection with your audit of the statement of accounts for West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information
I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information
I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records
I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies
I confirm that I have reviewed the accounting policies applied during the year in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value
I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies
There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Laws and regulations
I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error
I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions
I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

Impairment review
To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments
I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events
I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern
To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Director of Finance

Date………………………

Appendix B – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Opinion on the Council's financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;

- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Opinion on the Pension Fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for my report.

Opinion on Pension Fund financial statements

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the narrative statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Mark Kirkham

For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Leeds
LS27 7JN

Appendix C – Draft consistency report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS

We have examined the pension fund financial statements for the year ended 31 March 2016, which comprise the Fund Account, the Net Assets Statement and the related notes.

Respective responsibilities of the Director of Finance and the auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of City of Bradford Metropolitan District Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

We conducted our work in accordance with guidance issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of City of Bradford Metropolitan District Council for the year ended 31 March 2016 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Mark Kirkham

For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Leeds
LS27 7JN

Appendix D – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum in April 2016 and therefore we remain independent.

City of Bradford MDC
www.bradford.gov.uk

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 29 September 2016.

N

Subject:

External audit's Audit Completion Report for the 2015/16 audit of City of Bradford Metropolitan District Council

Summary statement:

The report summarises the findings from the audit of City of Bradford MDC's 2015/16 financial statements.

Mark Kirkham
Partner
Mazars LLP

Report Contact: Steve Appleton
Phone: (01274) 432392
E-mail: steve.appleton@mazars.co.uk

Parveen Akhtar, City Solicitor

1. SUMMARY

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2016 and forms the basis for discussion at the Governance and Audit Committee meeting on 29 September 2016.

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee:

- consider the Audit Completion Report; and
- approve the letter of requested representations (Appendix A)

11. APPENDICES

Audit Completion Report 2015/16

12. BACKGROUND DOCUMENTS

None.

This page is intentionally left blank

Audit Completion Report

City of Bradford Metropolitan District Council – year ended 31 March 2016

29 September 2016

Mazars LLP
Mazars House
Gelderd Road
Leeds
LS27 7JN

Governance and Audit Committee
City of Bradford Metropolitan District Council
City Hall
Centenary Square
Bradford
BD1 1HY

September 2016

Dear Members

Audit Completion Report – Year ended 31 March 2016

We are delighted to present our Audit Completion Report for the year ended 31 March 2016. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and areas of management judgement was outlined in our Audit Strategy Memorandum which we presented on 15 April 2016. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and areas of management judgement remain appropriate.

We would like to take this opportunity to express our thanks to your officers for their assistance during the course of our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0191 3836300 or mark.kirkham@mazars.co.uk.

Yours faithfully

Mark Kirkham
Partner and Engagement Lead

Mazars LLP

Contents

01 Executive summary

Purpose of this document

This document has been prepared to communicate the findings of our audit for the year ended 31 March 2016 to the Governance and Audit Committee of City of Bradford Metropolitan District Council and forms the basis for discussion at the Governance and Audit Committee meeting on 29 September 2016.

Our communication with you is important to:

- share information to assist both the auditor and those charged with governance to fulfil our respective responsibilities;
- provide you with constructive observations arising from the audit process;
- ensure, as part of the two-way communication process, we gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing City of Bradford Metropolitan District Council; and
- receive feedback from yourselves as to the performance of the engagement team.

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK and Ireland) which means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement. Section 3 of this report includes our conclusions on the significant risks and areas of management judgement that we set out in our Audit Strategy Memorandum.

We also set out details of internal control recommendations in section 4 and a summary of misstatements discovered as part of the audit in section 5.

Status and audit opinion

We have substantially completed our audit of the financial statements for the year ended 31 March 2016.

At the time of preparing this report, the following significant matters remain outstanding:

- review of events after the balance sheet date; and
- completion of our review procedures.

We will provide an update to you in relation to the significant matters outstanding above through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we anticipate:

- issuing an unqualified opinion, without modification, on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We also anticipate completing our work in respect of your Whole of Government Accounts submission in line with the group instructions issued by the National Audit Office by 30 September 2016.

Our proposed audit report is set out in Appendix B.

02 Financial highlights

Good finances are the foundation of the Council’s ability to deliver essential services for the district and to achieve value for money for taxpayers. The Statement of Accounts is the key medium by which the Council communicates financial performance with external stakeholders. As such it provides valuable data on how resources have been employed and what assets and liabilities are outstanding, and is a useful indicator as to the financial health of the organisation.

Comprehensive Income and Expenditure Statement (CIES)

The statement shows the cost of providing services for 2015/16 prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2015/16. The statement shows a deficit for the year for the provision of services of £85.3m. This differs from the Council’s reported performance on its revenue budget for 2015/16 because of items of expenditure which are correctly charged to CIES under accounting rules are not charged to the General Fund under statute. Note 4 to the financial statements sets out the adjustments between the accounting basis and the funding basis.

The Council’s performance against its revenue budget is set out in the narrative report (page 11) of the Statement of Accounts. Net expenditure was £0.8m lower than budgeted net expenditure of £400.8m.

Balance Sheet

The balance sheet shows the value of the Council’s assets and liabilities on a single date at the year end. It shows that the Council’s liabilities exceed its assets by £42.2m reflecting an overall decrease in net worth of £25.6m from last year. This is mainly due to a net decrease in the valuation of land and buildings and the disposal of school assets on conversion to academy status for nil consideration.

External borrowing, excluding PFI and lease arrangements, has reduced by £53.6m from last year as loans have been repaid on maturity and not replaced in line with the Council’s Medium Term Financial Strategy.

The Council’s short term investments and cash balances have decreased by £70.9 from last year as the Council has used its own resources to finance capital investment rather than borrow externally.

The long term pension liability of £700m has reduced by £33.5m from last year. The liability is not expected to crystallise at any single future point. Pension contribution rates are set by the actuary every three years and are intended to eliminate the pension deficit over 21 years.

The Council’s net assets are matched by reserves which comprise both usable and unusable reserves. Note 5 to the accounts sets out the Council’s usable reserves and shows that £19.9m corporate reserves are available to support future budget decisions, an decrease of £13.7m on last year although £6.1m has been committed to support the 2016/17 budget as planned.

03 Significant findings

Set out below are the significant findings from our audit. These findings include:

- Our audit conclusions regarding the significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum.
- Our comments in respect of your accounting policies and disclosures in the financial statements. We have concluded that the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year.
- Any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

Management override of controls

Description of the risk

International Standards on Auditing (ISA) 240 – *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud.

In all entities, management at various levels is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk by:

- evaluating and testing the basis for material accounting estimates included in the financial statements;
- reviewing unusual or significant transactions outside the normal course of business; and
- testing journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We identified no indication of management override of controls.

Revenue recognition

Description of the risk

In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council's range of revenue sources we have concluded that there are insufficient grounds for rebuttal. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.

How we addressed this risk

We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we undertook a range of substantive procedures including:

- testing receipts in the pre and post year end period to ensure they have been recognised in the right year;
- testing adjustment journals; and
- obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.

Audit conclusion

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We identified no indication of revenue being recognised in the wrong year.

Pension estimates (IAS19)

Description of the risk

The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

Audit conclusion

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We identified no indication of material estimation error in respect of pensions.

Valuation of land and buildings

Description of the area of management judgement

Land and buildings are the Council's highest value assets. Management use in house valuation services, as an expert, to determine the value of property to be included in the financial statements.

In addition a new financial reporting standard (IFRS13 fair value measurement) applies to the valuation of surplus property for 2015/16 and judgements may be required about 'highest and best' use values.

How we addressed this area of management judgement

We liaised with management to update our understanding on the approach taken by the Council to the valuation of land and buildings including the requirements of IFRS13.

We reviewed:

- the scope and terms of the engagement with the valuer; and
- how management use the valuer's report to value land and buildings in the financial statements.

We wrote to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality.

We also considered evidence of regional valuation trends.

Audit conclusion

We have completed our planned work reviewing the Council's use of experts to inform management judgements about valuation of land and buildings and the application of the new financial reporting standard.

We have also considered the evidence of regional valuation trends provided by our external expert.

We identified no matters to bring to your attention.

Accounting policies and disclosures

We have reviewed City of Bradford Metropolitan District Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting 2015/16 ('the Code').

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Electors' rights to inspect the accounts

The Accounts and Audit (England) Regulations 2015 ('the regulations'), introduced new requirements in respect of publishing the financial statements and the period within which local electors may raise questions on the financial statements or make an objection to an item of account. For 2015/16 the Council set this period as 1 July 2016 to 11 August 2016. We received no questions or objections within this period.

04 Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

We have identified no matters to report. If we had performed more extensive procedures on internal control we might have identified deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

As part of our audit we completed a review of IT general controls. We reported our findings to management and there were no matters which we considered sufficiently significant to report separately to you.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency The asset register has not been updated annually to remove vehicles, plant and equipment that have been disposed of at the end of their useful lives. Whilst the net book value of these assets is nil, as they have been fully depreciated, the asset register has carried assets with a gross cost or value of £45.727m and matching depreciation balance until they were written out of the asset register at year end.
Potential effects Absence of robust arrangements to update the asset register for vehicle, plant and equipment disposals, at least annually, risks misstating the Council’s asset base and undermining the accuracy of management information extracted from the asset register.
Remedial action The Council implemented the recommendation for 2015/16 and also updated the year end timetable to ensure this is completed annually.

05 Summary of misstatements

We identified no misstatements for adjustment during the course of the audit that are above the trivial level (£489,000), which impact on the primary statements or the Council's reported financial performance and financial position.

We have identified a number of misstatements within the disclosure notes which management have amended and are set out below.

Disclosure amendments

Adjusted misstatements

1. Prior period adjustments – restatement of employees' remuneration banding (Note 2)

Three changes were made to the restated numbers of employees in the remuneration bandings to correct minor errors in the restated analysis.

2. Assumptions about major sources of estimation uncertainty (Note 3)

Figures relating to debtors were amended to ensure consistency with corresponding amounts shown elsewhere in the financial statements.

3. Amounts reported for resource allocation (Note 23)

The note was amended to show 'revenues and benefits' as a separate disclosable segment as the expenditure breached the threshold for separate reporting under the Code of Practice on Local Authority Accounting. The table showing comparative information was also restated to reflect the current year presentation.

The adjustment has no effect on the Council's reported financial performance or financial position.

4. Pooled budget arrangements (Note 28)

Better Care Fund arrangement established under Section 75 of the Health Act 2006 have been added to the disclosure note to comply with the Code's requirements.

5. Senior officers' remuneration (Note 33)

The annualised salary of the Interim City Solicitor has been added following management review of detailed disclosure requirements.

In addition the salary of the Acting Chief Executive was altered to reflect the timing when she left the role.

6. Related party transactions (Note 41)

The disclosure was amended to clarify the narrative relating to West Yorkshire Combined Authority and to delete duplicate text. The figure for sums received from West Yorkshire Combined Authority for the year was amended as last year's figure had not been updated.

7. Narrative Report

We agreed a few changes to the Narrative Report to ensure consistency with the financial statements and to improve presentation. The minor inconsistencies with the financial statements arose from timing differences.

8. Other minor presentational changes

We also agreed a number of minor presentational changes to the disclosure notes to improve clarity for readers of the financial statements.

06 Value for money

We are required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources by considering one overall criterion which is made up of three sub-criteria. The overall criterion set out by the NAO is:

'In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

In the Audit Strategy Memorandum, presented to the Governance and Audit Committee in April 2016, we identified a significant risk relevant to the value for money conclusion (VFM). At the same time we issued a separate VFM Risk Assessment report which set out our VFM planning considerations.

We report the detailed findings from our work to address the significant risk and to update our risk assessment in a separate report 'Review of arrangements for securing value for money' which accompanies this report.

We summarise the findings from our work to address the significant risk in the table below. We intend to issue an unqualified Value for Money conclusion as set out in Appendix B.

Significant Value for Money risk

Sustainable resource deployment
Description of the risk The Council faces significant financial pressure from reduced funding and increasing demand for some services. The challenge to identify and implement savings is increasingly difficult as by the year end the Council will have reduced spending by £172.6m over the past 5 years. The VFM audit risk is that we will not be able to reach a safe conclusion without undertaking further work to assess the Council's arrangements to achieve the planned balanced position in 2016/17 and to identify further plans to bridge the funding gaps for 2017/18 (£7.6m) and 2018/19 (£28m).
How we addressed this risk We reviewed the Council's arrangements for: • monitoring budgets and ensuring that identified savings are being achieved; • revising the medium term financial plan; and • developing plans to bridge the funding gap for future years through the New Deal process. We also reviewed a sample of project plans for saving proposals and considered delivery arrangements.
Conclusion The Council has made arrangements for managing its savings programme and achieved planned savings of £32.8m, equivalent to 87% of the savings plan, during 2015/16. The shortfall of £4.9m was bridged by compensating measures including use of budget contingencies set aside to mitigate the risks of delay in implementing some of the more complex savings plans. Service income for the year was £1.9m better than budget reflecting generally prudent assumptions about income growth that were built into the budget for 2015/16. The Council approved a balanced budget for 2016/17 in February 2016 which involves planned savings of £45.6m. After the first quarter, management forecast achievement of 84% of planned savings although mitigating actions are being taken by Strategic Directors to make compensatory savings to offset the forecast shortfall. In addition the Council has revised its medium term financial strategy for 2017/18 to 2019/20 and beyond to provide a longer term view of the significant financial challenge it faces. Our review indicates that the core assumptions are appropriate factors to consider and that management recognise the risks associated with the assumptions.

The scale of the financial challenge is so significant that fundamental changes to the level and scope of service provision are envisaged to ensure the Council manages within its available resources. The Council has already started to plan for fundamental change supported by outcome based budgeting.

Appendix A – Draft management representation letter

City of Bradford Metropolitan District Council - audit for year ended 31 March 2016

This representation letter is provided in connection with your audit of the statement of accounts for City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information
I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

My responsibility to provide and disclose relevant information
I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records
I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies
I confirm that I have reviewed the accounting policies applied during the year in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value
I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies
There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2015/16 in relation to the Council's PFI schemes that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Director of Finance

Date………………………

Appendix B – Draft audit report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance’s Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007 and the December 2012 addendum;
- we issue a report in the public interest under section 24, schedule 7 of the Local Audit and Accountability Act 2014;

- we make a recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Opinion on the Pension Fund financial statements

We have audited the pension fund financial statements for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of City of Bradford Metropolitan District Council in accordance with Part 5 of the Local Audit and Accountability Act 2014, and paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Council's Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for my report.

Opinion on Pension Fund financial statements

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and the amount and disposition of the fund's assets and liabilities as at 31 March 2016 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the narrative statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Conclusion on Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Council and the auditor

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

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office, requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the National Audit Office.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the National Audit Office and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion published by the National Audit Office, we are satisfied that, in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Mark Kirkham

For and on behalf of Mazars LLP

Mazars House
Gelderd Road
Leeds
LS27J7N

Appendix C – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum in April 2016 and therefore we remain independent.

This page is intentionally left blank

City of Bradford MDC
www.bradford.gov.uk

Report of the Director of Finance to the meeting of Governance and Audit Committee to be held on 29 September 2016.

O

Subject:

STATEMENT OF ACCOUNTS 2015-16

Summary statement:

The 2015-16 Statement of Accounts (SOA) have been externally audited and are now presented to Governance and Audit Committee for approval. The External Auditor (Mazars) has reported their findings in two separate Audit Completion Reports, one for the Council and another for the West Yorkshire Pension Fund. Members are asked to consider these before approving the SOA.

This report provides an overview of the 2015-16 Statement of Accounts and includes a response to the Council's Audit Completion Report.
The 2015-16 Statement of Accounts (SOA) have been externally audited and are now presented to Governance and Audit Committee for approval. The External Auditor (Mazars) has reported their findings in two separate Audit Completion Reports, one for the Council and another for the West Yorkshire Pension Fund. Members are asked to consider these before approving the SOA.

This report provides an overview of the 2015-16 Statement of Accounts and includes a response to the Council's Audit Completion Report.

Stuart McKinnon Evans
Director of Finance

Report Contact: James Hopwood
Phone: (01274) 432882
E-mail: James.Hopwood@Bradford.gov.uk

Portfolio:

Corporate

Improvement Area:

Corporate

Parveen Akhtar: City Solicitor

1. BACKGROUND

1.1 The Director of Finance approved and issued the unaudited 2015-16 Statement of Accounts (SOA) by 30 June 2016 in accordance with the Accounts and Audit Regulations 2011. In accordance with these Regulations, Members are also asked to approve the audited SOA on or before 30 September 2016.

1.2 The Council has issued Mazars (the External Auditor) with a written representation about the Council's financial statements and governance arrangements. Mazars have included this representation letter in the Audit Completion Report. Members are required to consider the Representation Letter before the auditor issues the opinion.

1.3.1 This report shows the position of the external audit as at Thursday 15 September. Following the completion of the external audit, an update will be provided as appropriate.

2. KEY MESSAGES

a) Significant items included in the SOA

- At 31 March 2016 the Council's net worth, the total value of its financial assets less the value of its outstanding liabilities, decreased by £25.6m. This decrease was mainly due to net reductions in the valuations of land and buildings.
- Overall at 31 March 2016, the Council also has a small negative net worth of £42.2m, compared to a negative net worth of £16.5m at 31 March 2015.
- The Council has a negative net worth mainly due to net pension liabilities of £700m and net liabilities of £134.5m for schools built under the Private Finance Initiative (PFI) that have converted to academies. The last tri-annual valuation of the Pension Fund has put in place a plan to recover the pension deficit over the next 20 years. The net PFI liabilities are funded each year with a government grant.
- A factor that has impacted significantly in past years on the Council's net worth has been the conversion of schools to academies. This is treated in the SOA as a disposal of assets for nil payment, which reduces the financial assets shown on the balance sheet. Only two schools converted to Academies in 2015-16. However, only one of these schools, with a net value of £7.1m, was included on the Council's opening Balance Sheet and treated as a disposal for nil value (Paragraph 4.1.b). The other school was a Voluntary Aided School and therefore not included on the Council's opening 2015-16 balance sheet.
- At 31 March 2016 the Council had £19.9m of unallocated reserves available to support budget decisions. However, £6.1m of this has already been used to fund the 2016-17 budget. After retaining £10.8m as a General Fund balance and ring fencing £33.8m of school balances, this leaves £103m of earmarked reserves to deliver ongoing Council priorities and fund anticipated liabilities. To support the capital programme, there are also reserves of £34.5m made up of capital grants and receipts from asset sales (Para 4.1h).
- The SOA also shows the Council had £22.7m (£21m at 31 March 2015) set aside in provisions to meet obligations arising from past events. Mainly these obligations are: termination costs due to planned staffing reductions; refunds of Business Rates

due to appeals, and insurance excesses on claims against the Council (Paragraph 4.1g). At 31 March 2016, there was a £1.7m increase in provisions compared to 31 March 2015. This was due to an increase of £3.7m in the amounts set aside for termination costs, a £1.5m reduction in Bradford's share of the Business Rate provision and a £0.5m reduction mainly on the insurance provision.

- The Collection Fund Statement shows Council Tax and Business Rate income collected by the Council and its redistribution to itself and other organisations. The redistribution in 2015-16 was set before the start of the financial year and cannot be changed. However, Bradford's actual share of the Council Tax collected was £2.6m higher than budgeted, mainly due to property growth and a lower cost of Council Tax reduction. Bradford's share of Business Rates collected was £11.7m lower than budgeted, because of refunds arising from appeals. These variations between the total of the redistributions paid out in 2015-16 and the amount of Council Tax and Business Rates collected in the year were factored into the 2016-17 budget.
- The Comprehensive Income and Expenditure (CI&E) Statement (page 20 SOA) shows a deficit on the provision of services of £85.3m in 2015-16. However, this deficit includes accounting adjustments, such as valuation changes on land and buildings. After removing accounting adjustments which are not chargeable against Council Tax, services spent £0.8m less than the approved 2015-16 net budget of £400.8m.
- £70.4m was invested in capital projects across the district. 26% of this capital investment was funded by internal borrowing, with the remainder funded from grants, revenue contributions and capital receipts (page 15 SOA).

b) Summary of the External Auditor's findings in respect of the SOA and agreed amendments

- There are no matters to bring to Members' attention in connection with the significant risks and key judgements set out in the 2015-16 Audit Strategy Memorandum.
- There was no material misstatement in the draft 2015-16 SOA and no misstatements on the main statements.
- There were a small number of adjustments to the disclosure notes.
- None of the misstatements impact on the General Fund balance or usable reserves as at 31 March 2016.

3. CHANGES IN ACCOUNTING POLICIES IN 2015-16 AND PRIOR YEAR ADJUSTMENTS

3.1 There were no changes to accounting policies in 2015-16 and no prior year adjustments, apart from minor adjustments on disclosure notes.

4 SIGNIFCANT ITEMS INCLUDED IN 2015-16 SOA

The Council's full set of accounts runs to 137 pages and its content is prescribed by statutory accounting standards. Listed below therefore are the significant matters Members may wish to take into account when assessing the Council's financial resilience to deal with continuing real term reductions in funding and to take into consideration before approving the 2015-16 SOA.

4.1 Balance Sheet (page 21)

a) Net worth (total reserves)

The Council's net worth, the total value of its financial assets less the value of its outstanding liabilities, is shown on the Balance Sheet. At 31 March 2016 the Council's net worth decreased by £25.6m from £16.5m to a negative net worth of £42.2m.

Included in the £25.6m reduction in the net worth of the authority was a reduction of £59m in the values of the land and buildings shown on the Balance Sheet. This is because in a five year cycle, a separate valuation is produced for one-fifth of the Council's material land and buildings, except those held for investment purposes which are valued each year.

The reduction caused by the valuation of land and buildings was partially compensated by a reduction in the Pension Fund deficit by £33.5m. Overall though, the Council's Pension Fund deficit of £700m at 31 March 2016 is still by far the largest cause of the Council's negative net worth.

However, the actuarial estimate of the Council's Pension deficit for the purposes of the SOA (the IAS 19 valuation), which follows required accounting practice, uses a set of assumptions regarded within the pension industry as cautious. In interpreting the IAS 19 deficit it is also important to be aware that it is very sensitive to any changes to the underlying assumptions. For example, each 0.1% increase in one of the underlying assumptions, such as the discount rate, reduces the actuary's estimate of the liability by £42m. An alternative actuarial estimate, the tri-annual valuation, using different assumptions, estimated the deficit at £63m as at 31 March 2013. This tri-annual valuation, in contrast to the IAS 19 valuation, uses less cautious assumptions about the growth of investments and treats the Pension Fund as a going concern. It also includes a plan to pay back the deficit, which is being followed by the Council.

Another significant element of the overall net worth is the PFI liability of £134.5m but as this will be funded from an annual government grant, there are no funding implications for the Council. (The balance sheet does not show the future receipt of this Government grant as an asset.)

Future accounting changes, which will be reflected in the 2016-17 SOA also mean that the Highways Network Asset, rather than being valued at historical cost, will be shown at depreciated replacement cost. This will massively increase the Council's net worth, far in excess of the current £42.2m negative net worth.

b) Long term assets - Property, Plant and Equipment - Note 9 Page 44

Long terms assets mostly comprising Property, Plant and Equipment has decreased by £53m from £1,202m at 31 March 2015 to £1,149m at 31 March 2016.

This decrease is made up of the £59m net reductions in the valuations of land and buildings, as noted above. Further, a decrease was caused by a £43m depreciation charge, as well as a £13m loss on disposal. All these decreases were partially compensated by an additional £62m of expenditure, per the capital programme, on the Council's land and buildings.

The £13m loss on disposal is made of £7.1m disposal caused by a school converting to an academy, £5.7m on other land and buildings and £0.2m on vehicles, plant and equipment.

In 2015-16, two of the Council's schools converted academies. Only one of these, Belle Vue Boys' school, was a Community School previously shown on the balance sheet and so disposed of for nil value. It is this school which caused the £7.1m loss on disposal.

The other school that converted to an academy, Immanuel College, was a voluntary aided school. As such it was already excluded from the opening Council's Balance Sheet. The Council is unable to exercise sufficient day to day control over voluntary aided schools to meet the accounting definition for inclusion on its Balance Sheet.

The table below categorises all Bradford schools and sets out the accounting treatment.

Type of school	2014-15	2015-16	Accounting Treatment
Community	92	91	On Balance Sheet
Special Schools	6	6	On Balance Sheet
Foundation	13	13	2 Church of England Off Balance Sheet, 11 owned by Governing Bodies On Balance Sheet
Voluntary Aided	30	29	Off Balance sheet
Voluntary Controlled	12	12	Off Balance sheet (with the exception of 5 VC schools the Council still holds the legal title)
Academies	32	35	Off Balance sheet
Trust	5	5	Off Balance sheet
TOTAL SCHOOLS	**190**	**191***	
Nurseries	7	7	On Balance Sheet

* The total number of schools has increased due to the opening of Bradford Forster Academy in September 2015.

c) **Heritage Assets (Note 12, Page 47)**

The £36.3m valuation at 31 March 2016 for Heritage assets showed a small increase of £0.5m above the valuation of £35.8m at 31 March 2015. The £0.5m increase mainly relates to a donation of portraits, statues and furniture during the year.

d) **Investment Properties (Note 13, Page 48)**

The value of investment properties at 31 March 2016 was £45.7m, showing a reduction of £2.2m. This reduction was mainly due to downward revaluations of the properties.

e) **Long term borrowing (Note 47c, Page 91)**

When the Council's long term assets of £1.149bn at 31 March 2016 are compared to the Council's long term borrowing of £306m and long term gross PFI liability of

£194m, this gives a ratio of long term borrowing to fixed assets of 0.44 (0.44 in 2014-15) .

The Council's latest Medium Term Financial Plan sets out a strategy to reduce the overall Capital Financing Requirement (CFR) and thereby pay lower capital financing charges in future years. In 2015-16 as capital funding set aside in the financial year was over and above the amount which was spent on the capital programme, the Council's CFR reduced by £13.6m.

The Medium Term Financial Plan also aims to lower the reliance on external borrowing. In accordance with this strategy, £53.6m was paid back in 2015-16 and £25.9m of external borrowing is due to be paid back in 2016-17.

f) Current assets (Note 18, Page 50)

The Council's short term liquidity is good with a positive ratio of current assets of £161m (£242m in 2015) compared to current liabilities of £133m (£178m in 2015).

Also at £78m at 31 March 2016 (£149m at 31 March 2015), the Council's and schools' cash and short term investments balances remain strong. As a result, in 2015-16, the Council did not have to borrow any cash from external organisations to fund capital expenditure, but was able to use its own cash balances.

g) Provisions (Note 20, Page 53).

At 31 March 2016 the Council held £22.7m compared to £21m as at 31 March 2015. The Business Rate provision decreased from £7.5m is 2014-15 to £5.9m in 2015-16. This was because the provision was used to fund successful appeals against the rateable values of GP surgeries.

Other notable movements in provision balances in year were as follows:

- £8.4m was set aside at 31 March 2016 to fund future redundancy payments for voluntary redundancies agreed as part of the 2016-17 saving proposals. This compares with £4.6m set aside at 31 March 2015.
- Provisions set aside for insurance claims reduced slightly from £8.3m at 31 March 2015 to £7.8m at 31 March 2016. This reduction was not caused by a reduction in claims, but reflected current trends showing slightly less needed to be set aside against the claims to pay the insurance excess.

h) Reserves (Note 5, Page 41)

At 31 March 2016 the Council had £19.9m of unallocated reserves available to support future budget decisions, £6.1m (44%) of which has already been used to support 2016-17 budget decisions. This leaves just £13.8m of unallocated reserves.

After retaining £10.8m as a General Fund balance and ring fencing £33.8m of school balances, this leaves the Council with £103m of resources to meet the cost of future commitments, political priorities and specific financial risks. There is also £34.5m of capital receipts and grants to fund the capital programme.

Reserves	31 March 2015 £m	31 March 2016 £m
Total	218.0	202.2
Comprising;-		
Corporate earmarked reserves to cover specific financial risks or initiatives	47.7	38.9
Reserves to support the capital investment plan	13.9	13.1
Service earmarked reserves supported by spending plans	30.6	42.8
Grants received but not yet used for their specified purposes	9.1	8.4
General Fund balance	10.8	10.8
School balances	38.4	33.8
Capital grants and receipts	33.8	34.5
Unallocated corporate reserves	33.7	19.9
Unallocated reserves used immediately to support following year's budget	-14.8	-6.1
Remaining unallocated corporate reserves	**18.9**	**13.8**

Further information on the Council's Reserves can be found in Note 5, Page 41.

i. Pension Liability (Note 31, Page 66)

There was a £33.5m reduction in the Council's Pension Fund deficit, leaving a shortfall of £700m as at 31 March 2016.

The overall reduction in the deficit comprises a gross £46m reduction in the estimated cost of future promises to pay pensions, netted off by a £13m decrease in the value of assets held to fund them.

The small changes in the value of pension promises and assets detailed above are caused by the impact of inflation rates, gilt markets and asset values as at 31 March 2016 on the model used by the actuary to calculate the IAS 19 pension valuation.

4.2 Comprehensive Income and Expenditure Statement (CIES) – Page 20

a) Financial Outturn and Deficit on the Provision of Services

In the Narrative Report (page 11) the Director of Finance reports that in 2015-16 net revenue spending was £400m, which was £0.8m lower than budgeted.

In contrast, the CIES shows a £85.3m deficit on the provision of services. However, many of the transactions that make up this adjustment are technical accounting adjustments which by statute cannot be charged against Council Tax. Examples of these technical accounting adjustments are depreciation, losses on the disposal of assets and revaluation losses.

Because these adjustments cannot be charged against Council Tax, they are reversed out in the Movement in Reserves Statement (MIR). Within the MIR, the £0.8m underspend forms part of the net £11.8m transfer out of earmarked reserves (line O, MIR, page 19) and line B Note 5, page 41.

4.3 Collection Fund Statement – Page 94

The Collection Fund Statement shows the in-year collection of Council Tax and Business Rates, less the amounts to be redistributed.

The amounts to be redistributed were set prior to the 2015-16 financial year, firstly based on estimates of the amount of Council Tax and Business Rates that would be collected. However, for Business Rates, the estimate also included a statutory deficit of £2.7m, in order to spread the cost of backdated appeals.

At 31 March 2016, the Collection Fund Statement shows an overall cumulative deficit of £20.8m at the end of 2015-16. The deficit comprises a £3.1m Council Tax surplus less a £23.9m Business Rates deficit. The Council's respective share of these amounts are a £2.6m Council Tax surplus and a £11.7m deficit on Business Rates.

However, the surplus on Council Tax and the deficit on Business Rates were anticipated when the redistributions were set for the 2016-17 financial year (see 'Calculation of Bradford's Council Tax Base and Business Rates Base for 2016-17' Executive Tuesday 12 January 2016). Therefore Bradford's share of Council Tax and Business Rates included in the 2016-17 budget already takes account of the cumulative deficit on the Collection Fund in the 2015-16 SOA.

The Council Tax surplus was caused by property growth and a lower cost for the Council Tax reduction scheme. Bradford's £11.7m deficit on Business Rates was mainly caused by the cost of backdated refunds on appeals, especially appeals against the rateable values of GP surgeries.

5.0 RESPONSE TO THE AUDIT COMPLETION REPORT

The External Auditor's Audit Completion Report (ACR) which summarises findings from the 2015-16 Audit is subject to a separate report to this Committee. Members are asked to consider this report before approving the 2015-16 SOA.

The purpose of ACR is to highlight areas of risk and weakness, not those areas of the accounts which are being undertaken correctly. Any misstatements with a value over £0.486m (the External Auditor's triviality threshold) have been reported separately. Misstatements are classified as material if they exceed £19.425m.

A distinction has been made between those misstatements that affect the main statements of the accounts and those that affect the disclosure notes.

As discussed, in 2015-16 the draft SOA contained no misstatements that affected the main statements and four misstatements that affected the disclosure notes.

5.1 Misstatements identified as part of the Audit which the Council has amended

5.1.1 Main Financial Statement Changes (Balance Sheet, CIES, Movement in Reserves Cash Flow, and Collection Fund) changes

a) There are no changes to the main statements

5.2.2 Disclosure Notes

a) Within the service analysis in the resource allocation, Revenues and Benefits has been shown as a separate segment.

b) There were a small number of changes to ensure consistency between different notes in the accounts, improve presentation and in once instance, update a previous year's figure. The most significant of these related to the note on assumptions about major sources of estimation uncertainty and the Narrative Report.

c) The Better Care Fund arrangement has been added to the Pooled Budget note.

d) There were two adjustment to the disclosure note for employee remuneration, in accordance with the detailed requirements of the accounting regulations.

6.0 Events after the Balance Sheet Date

Post balance sheet events only require adjustments to the SOA if they impact on assets and liabilities at 31 March 2016. There are no adjusting post balance sheet events.

Since 1 April, thirteen schools have agreed to transfer to Academy status. Of these two were already excluded from the balance sheet due to being Voluntary Aided and Trust schools. The other eleven schools, with an estimated value of £50.5m at 31 March 2016, will be removed from the 2016-17 Balance Sheet when a 125 year peppercorn lease is completed. Also a 125 year lease has been completed for University Academy Keighley representing a disposal for nil consideration of assets with an estimated value of £14.4m at 31 March 2016.

There are likely to be additional academy conversions in 2016-17.

The economic and market impact of the EU referendum result remain unclear and continue to be monitored.

7.0 ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement was considered by this Committee in June and is now published alongside the SOA (Appendix A).

8.0 WEST YORKSHIRE PENSION FUND

The Auditor's Annual Completion Report on the West Yorkshire Pension Fund in the statements reports no matters of concern regarding the quality of the accounting practices, policies, estimates and disclosures.

9.0 RECOMMENDATIONS

The 2015-16 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee.

10.0 APPENDICES

Appendix A: The latest Statement of Accounts 2015-16 as at 15 September. A revised statement of accounts will be provided at the meeting if appropriate.

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2015-16

AND

ANNUAL GOVERNANCE STATEMENT

Contents Page

Introduction to the Council's Statement of Accounts

The Council's financial statements are set out in the pages following this foreword. They consist of the following:

1. The Narrative Report

The Director of Finance's Report summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2015-16. The money spent by the Council and where the money comes from is shown in a series of charts. There is a distinction between revenue spending (the annual cost of providing services) and capital expenditure, which has a long-term benefit for the citizens of the Bradford District.

2. Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure and other reserves.)

3. Comprehensive Income and Expenditure Statement

The cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in accordance with statute. The Council raises tax, and uses grants and other flows of income to cover the cost of services. The statutory financial result is shown in the Movement in Reserves Statement. This is different to the cost of services stated in accordance with generally accepted accounting practice, as shown in the Comprehensive Income and expenditure account.

4. Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council.

5. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents (short term investments of three months or less) of the Council during the reporting period.

6. Statement of Significant Accounting Policies

The Council's accounts follow International Financial Reporting Standards (IFRS) since the 2010-11 financial year.

The accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements. The accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

7. Notes to the Main Financial Statements

The notes disclose information required by the Code and information that makes the accounts easier to understand. They show the specific accounting policies and estimates used and breakdowns of figures shown in the main Financial Statements.

8. Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority (Bradford Council) in collecting Council Tax and non domestic rates and distributing it to major preceptors and the Government.

9. The Group Accounts

As the Council does not have any material interests in subsidiaries, associates and jointly controlled entities it is not required to produce a set of Group Accounts.

10. The Pension Fund Account

As the Council is the administering authority for the West Yorkshire Pension Fund, the activities of the fund are required to be reported alongside the Council's main Financial Statements.

11. Glossary of Terms

In order to help readers, a Glossary of Terms widely used in relation to local authority finance and referred to within these accounts is included at the back of the document.

12. Annual Governance Statement

The Council is required to undertake an annual review of the effectiveness of its governance framework and system of internal control. The conclusions of this review are reported alongside the accounting statements.

Notes to the Main Financial Statements

City of Bradford Metropolitan District Council's Statement of Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were both reasonable and prudent.
- Kept proper and up to date accounting records.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.
- Complied with the Code of Practice on Local Authority Accounting.

In addition he has issued:

- A manual on the practices to be adopted in the preparation of the Council's year end accounts.
- Various corporate standards giving guidance on specific accounting issues.

The financial statements are subject to audit by the Council's external auditors.

Certification of the Statement of Accounts

I certify that this statement of accounts presents a true and fair view of the financial position of the Council at 31 March 2016 and its income and expenditure for the year then ended. I authorise for issue the 2015-16 Statement of Accounts.

Signed:

Stuart McKinnon-Evans
Director of Finance
Date: 29 September 2016

Signed:

Cllr Michael Johnson
Chair of Governance and Audit Committee
Date: 29 September 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Opinion on the Council's financial statements

The Narrative Report

How Much Money Did the Council Spend?

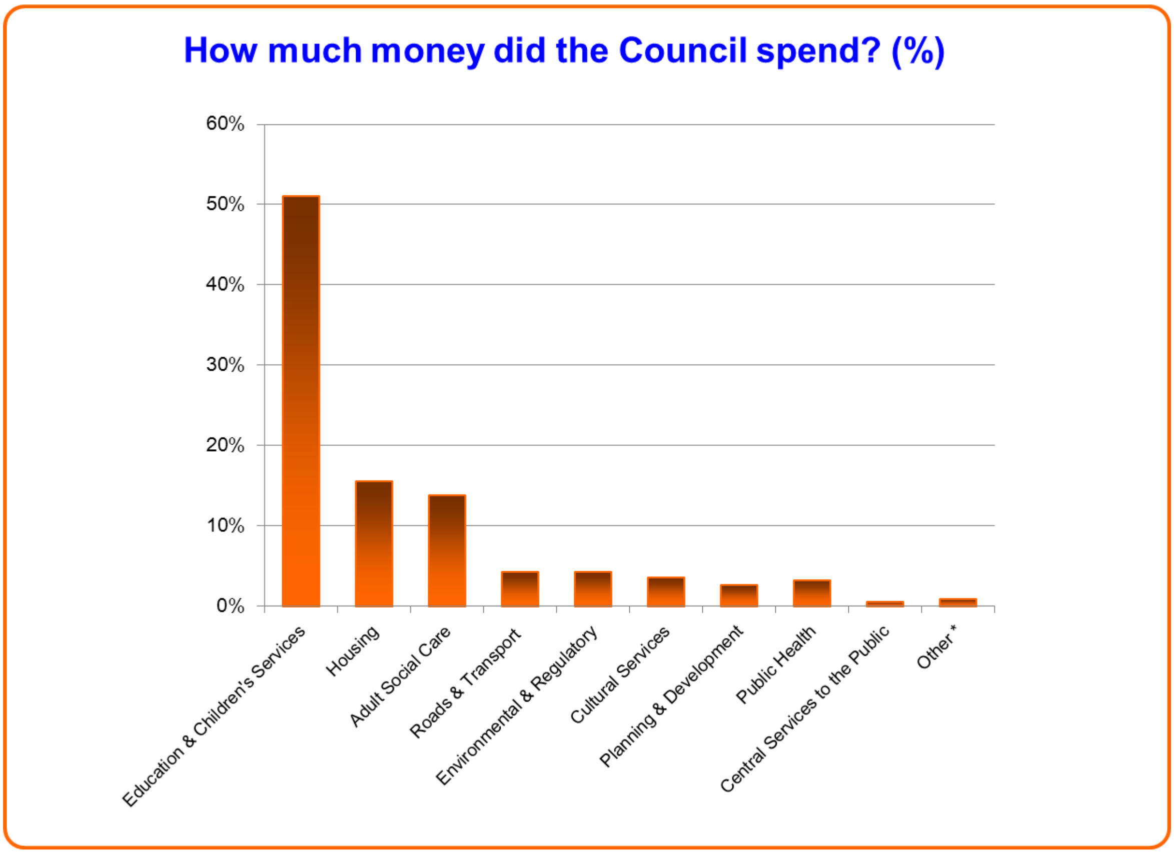
In 2015-16, the gross revenue expenditure on the provision of services was £1.304bn (£1.304bn in 2014-15). Included in this figure is £23.916m (£23.854m in 2014-15) paid to the West Yorkshire Combined Authority. For a further breakdown of the amount spent on individual services, please see the following chart and the Comprehensive Income and Expenditure Statement (page 20).

Where Did the Council Get Its Money?

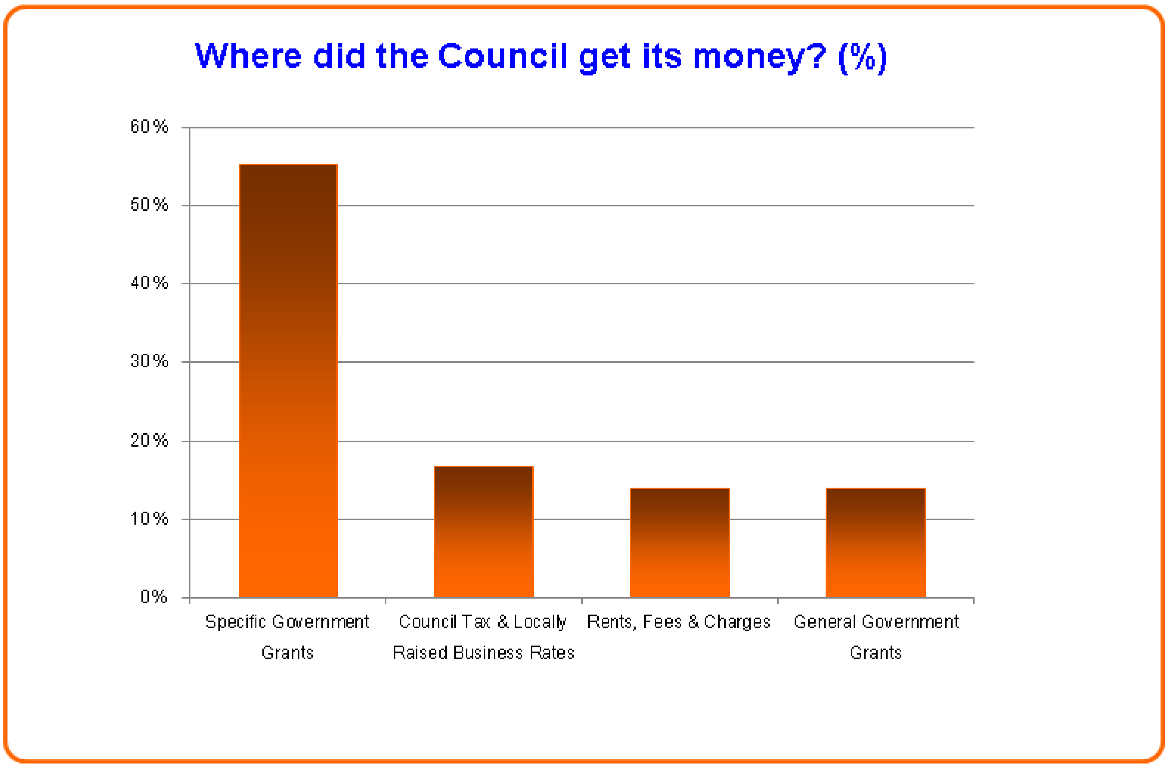
The Council's General Fund revenue spending is funded through general government grants £181.985m (£219.272m in 2014-15), Council Tax £153.968m (£147.437m in 2014-15) and locally raised business rates £64.149m (£63.697m in 2014-15). The government through specific grants provided a further £721.387m (£730.929m in 2014-15) of funding, of which £383.802m (£388.763m in 2014-15) is a Dedicated Schools Grant (DSG). The Council itself raises the remaining money in the form of rents and fees and charges for services provided.

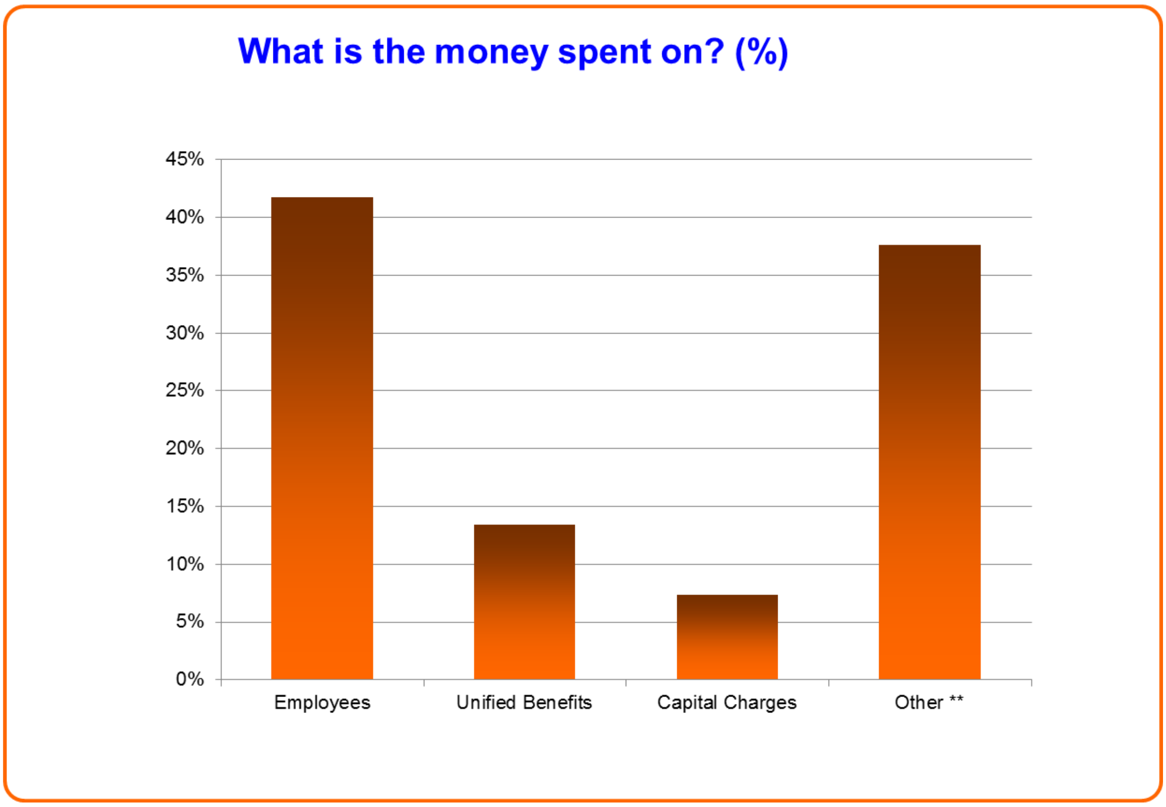
What Is the Money Spent On?

Total staff costs amounted to £541.984m (£538.857m in 2014-15). This includes staff in schools (£316.259m). In 2015-16, spending on other operating costs and capital financing costs was £587.726m (£587.664m in 2014-15) and rent benefits totalled £174.270m (£177.776m including Council Tax benefit in 2014-15).



* “Other” includes corporate and democratic core and non distributed costs.





** “Other” includes transport; supplies and services; third party payments and support services.

Background

The spending statements on services in these accounts follow the format set out in the Service Reporting Code of Practice (SeRCOP), the purpose of which is to facilitate comparisons between different authorities. As the service analysis is mandatory for all local Council's financial statements, it does not match the current management structure and financial monitoring framework of the Council. In this Section of the report we therefore comment on the financial and service performance of the Council's departments in keeping with internal accountability.

The sections that follow report on the Council's stewardship of its revenue and capital resources and provide an insight on Services' performance. Both the financial and performance result for 2015-16 should be assessed against five years of reductions in Government funding, and inflationary and demographic pressures.

2015-16 was the fifth consecutive year in which the Council implemented cuts as a consequence of reductions in funding, to add to inflationary and demographic pressures.

2015-16 Revenue Budget

In February 2015, the Council approved a net expenditure budget of £400.760m, funded £107.391m from Revenue Support Grant (RSG), £125.086m from Business Rates (£68.518m raised locally and £56.568m top up grant) and £152.300m from Council Tax. The remaining £15.983m was financed from reserves.

In 2015-16 Bradford's Council Tax increased by 1.6% from £1,133.97 to £1,152.11, an increase of 1.6% for someone living in a Band D property.

To contain spend within the 2015-16 approved budget, savings of £34.667m were applied to Service and Non Service Budgets with a further £0.7m reduction applied in capital financing costs.

2015-16 Revenue Result

The headline results were

- Net revenue spending was £400m, £0.8m lower than budgeted. The result is consistent with both in year forecasts and the financial outlook used to set the 2015-16 budget.
- In order to complete activity rescheduled from 2015-16, £2.8m of funding was carried forward into 2016-17.
- At 31 March 2016 the Council had available £19.9m of unallocated reserves to support future budget decisions. £6.1m of this is to be spent immediately to support the 2016-17 Budget, leaving £13.8m; a balance potentially inadequate in the context of the difficult outlook for public finances.
- Overall the Council's net worth as at 31 March 2016 (the total value of its financial assets less the value of its outstanding liabilities) is in a small negative position (£42.2m), slightly worse than the negative net position of £16.5m at 31 March 2015. However, long term pension liabilities of £700m will crystallise over several years.
- Bradford's share of the Council Tax and Business Rates Collection Fund was a £2.6m surplus and a £11.7m deficit respectively.
- Capital investment in the District in 2015-16 was £70.4m.

Key Performance Messages

The Council, its partners and local communities are working together to achieve the following outcomes for the District:-

- Better skills, more good jobs and a growing economy,
- A great start and good schools for all our children
- Better health, better lives
- Decent homes that people can afford to live in
- Safe clean and active communities

A District-wide Plan provides a focus and accountability for delivering investment and activities that secure positive progress towards achieving these priorities.

A Council Plan is currently being developed which will identify the Council's contributions, its responsibilities for direct delivering and a new set of key performance indicators.

These indicators will help us to measure progress towards achieving organisational and District wide objectives, to understand the local context in which we are operating, identify areas that require improvement and guide decisions about the allocation of resources. They will also provide an indication of organisational performance in relation to sickness and productivity.

No single organisation can secure the positive results that collectively we are seeking to achieve so we must recognise the need to work together to maximise the impact of all the District's assets and resources.

Often the performance of other organisations will have greater direct impact than that of the Council. Nevertheless the Council retains a key role as the democratically accountable leadership of the District, as its advocate and in influencing its communities, organisations, businesses and public services. Monitoring progress towards priorities therefore offers opportunities to assess the impact of Council leadership, advocacy and influence as well as its direct delivery and commissioning of services.

While the Council Plan will provide the framework for future performance monitoring and reporting, for the year 2015/16, the Council used 45 headline indicators to measure its performance and productivity.

The indicators for 2015/16 tell us that performance in many key areas is improving and remains on target reflecting the positive impact of previous investment and policy decisions. However there continue to be areas where the District faces significant challenges and where performance is either deteriorating or not improving quickly enough.

Good progress is being made on supporting children and families in the early years of life, effective child protection processes and in reducing the numbers of young people who are not in education, employment or training. However key indicators of school standards such as Key Stage 2 achievement and good GCSE's and of school leadership are not improving fast enough or are getting worse.

Educational attainment continues to be a priority area for improvement with performance being closely monitored and managed by the Education School Improvement Board as part of the Ofsted Inspection Improvement Plan. The District is moving to a school led approach to improvement but the Council has made resources available to support the recruitment, development and retention of outstanding school leaders, secured significant new resources for additional school places and is promoting an Education Covenant which makes clear the role that everyone can play in improving education.

The Council's increasing focus on preventative care, support to help people get back to independent living after an illness or hospital stay and on-going additional investment to address demographic changes means that many social care services are performing well. For example, Bradford is a top performer in terms of its rate of admissions to residential and nursing homes. Working with health services to use resources effectively is delivering good results in terms of reducing the numbers of delayed hospital discharges that are down to a lack of social care capacity.

Demographic changes leading to rising demand for care mean that the Council will need to continue to work closely with health partners, keep promoting self care and invest more in early interventions in order to sustain good performance.

Health and health inequalities continue to present significant challenges but the difference in life expectancy between the most and least deprived parts of the District is falling.

The Council has made significant investments to support young and disadvantaged people who are furthest from the labour market into work and these have delivered positive benefits for a great many people. Working with business, Leeds City Region and others we have secured new apprenticeships, jobs and investment. Nevertheless, despite showing improvements employment rates continue to remain too low and the proportion of the population without qualifications too high, and therefore a continued focus on ways of securing inclusive growth that benefits everyone is necessary.

The Council is performing well in its efforts to increase affordable housing supply by investing to bring empty homes back into use although the numbers of private housing conditions improved through Council interventions is below target. This is primarily due to an increasing demand for initial inspections of private sector housing conditions which is leading to less resource being available to actually make the improvements. The Council continues to provide support to vulnerable home owners.

Perceptions of anti-social behaviour and community relations are worsening. The Council works closely with local communities to identify, monitor and address tensions and promotes active citizenship. The People Can campaign encourages people from all backgrounds to work individually and together to improve things for themselves and others. Activities encourage a sense of pride in community and locality.

The Council's Management team is still undertaking targeted work to improve the organisations sickness targets and whilst there has been a slight improvement, performance is still below target.

In summary, 61% of all indicators are on target or within an accepted tolerance. This figure is down from 82% in 2014/15. In addition to service specific issues the change could reflect the challenges of improving performance or maintaining high performance at a time of reducing financial resources and increasing demand which require shifts in investment and focus to deliver transformational change.

Explanation of major variances in spending against budget

	Net expenditure		
	Budget £m	**Outturn £m**	**Variance £m**
Services to the public & businesses			
Adult & Community Services	**128.5**	**127.7**	**-0.8**
Children's Services	**124.0**	**125.6**	**1.6**
Environment & Sport	**66.4**	**63.8**	**-2.6**
Public Health	**0.1**	**0.1**	**-**
Regeneration	**67.0**	**65.6**	**-1.4**
Revenues & Benefits	**5.4**	**5.5**	**0.1**
Total services to the public & businesses	**391.4**	**388.3**	**-3.1**
Support services and non service			
Property Programme	**1.3**	**1.3**	**-**
Chief Executive	**5.4**	**5.0**	**-0.4**
City Solicitor	**6.8**	**6.7**	**-0.1**
Human Resources	**7.8**	**7.0**	**-0.8**
Finance (Excluding Revenues & Benefits)	**22.2**	**21.9**	**-0.3**
Non Service Budgets	1.2	-0.4	-1.6
Total support services and non service	**44.7**	**41.5**	**-3.2**
Central Budgets & Net Transfers To Reserves	**-38.1**	**-32.6**	**5.5**
Deferred Expenditure	**2.8**	**2.8**	**-**
Total Council Spend	**400.8**	**400.0**	**-0.8**

Explanation of major variances in spending against the approved budget

Overall the financial results show that spending was £0.8m (0.2%) lower than the net £400.8m budget set. With the exception of Children's Services (£1.6m overspend) and Revenues and Benefits (£0.1m overspend), all Services either spent in line or below their approved 2015-16 Budget. The delivery of individually specified savings was £4.9m (13%) below the £37.7m target, a deterioration from 2014-15 when £2.1m (7%) of savings were not delivered. Compensating action taken by Services secured the overall financial result in line with budget.

As in 2014-15, some priority investment took longer to implement than the traditional twelve month budget period. However, it is right that spending is incurred only when appropriate, and the proposals to carry forward £2.8m of funds (Better Use of Budgets) allow services to complete their plans in 2016-17.

- **Adult and Community Services** – in total, Adult Social Care Services were delivered to 11,250 individuals in 2015-16, at a cost of £127.7m, a net £0.8m below plan. The budgets relating to users with a Learning Disability were under most pressure, with a £0.9m overspend on the £6.1m Residential Fees budget due to an increase in the complexity of care requirements, and an overspend of £0.7m on the £7m Home Support budget due to higher demand resulting from an increasing client base. Overspending areas were more than offset by underspends elsewhere in the department, notably in Housing Related Support (£0.9m) and staffing savings in advance of further approved savings in 2016-17.

- **Children's Services** – overall spend was £1.6m above the approved budget of £124.0m. There was a £3m overspend on the £5.6m Looked-after children Purchased Placements budget due to increasingly complex care requirements. This has led to an increase in the number of costly Residential Care placements, and a reduction in lower cost Independent Fostering Agency placements. An increase in the numbers of children receiving support was the chief factor in the overspend of £0.4m on the Allowances paid to carers budget. The Council has allocated an additional £1.5m to mitigate the pressure on Purchased Placements and Allowances. Children's Services plan to mitigate the remaining pressure by reviewing the sufficiency and commissioning strategy; re-commissioning block contracts for residential and fostering provision; reviewing care plans; and increasing the capacity of the In-House Fostering Service through training and recruitment. Underspends of £0.4m in Client Services and £0.5m in Education and School Improvement helped to mitigate the above budget issues.

- **Environment and Sport** – the department underspent the £66.4m net expenditure budget by £2.6m, and delivered £4.0m of the planned £4.5m budget savings. The main variances in Environment and Sport include an £0.8m overspend on the £16.3m Waste Disposal net budget as a result of residual tonnes not reducing as planned, and the underachievement of recyclate sales income due to contaminated batches reducing the value of paper sales. The service is implementing the Waste Minimisation Strategy to reduce tonnes of residual waste, and purchasing equipment to solve the issue of contaminated batches before 2016-17. Sports Facilities overspent by £0.6m due to staffing costs overspends and income budget underachievement partly resulting from the continued trend of falling visitor numbers. These overspending areas were however more that offset by underspends elsewhere in the department, most notably £1.2m of above budgeted income for parking tickets and fines.

- **Regeneration** – a overall underspend of £1.4m was achieved mainly as a result of Economic Development Services achieving a £1.2m underspend on its budget of £7.6m. Some projects with a longer lead in time require £0.6m expenditure to be deferred. Climate, Housing and Property Services achieved a saving of £0.6m against budget, in part thanks to school catering being £0.4m over its targeted surplus with meal number up 400,000 year on year with resulting income increases. This was linked to the full year effect of universal infant free school meals. Admin Buildings also achieved one off net savings of £0.2m from adjustments in rateable values.

- **Public Health** – expenditure came in on budget. There were underspends on sexual health services (£0.8m) and tobacco cessation services (£0.4m). These are linked to managed contract savings in response to the £2.6m in year Public Health grant cut imposed by Government. In year reductions of £2.6m have been met through realignment of the procurement plan, one-off vacancy savings, and non-recurrent funding from NHSE. Further reductions to the Public Health grant have been confirmed by the Department of Health, and will be phased in over the next four years; this additional reduction of £4.3m is expected between 2016-17 and 2019-20.

- **Finance, IT, Revenues and Benefits** – overall the Finance Department underspent its approved budget by £0.3m, with Commissioning and Procurement underspending by £0.3m. This offset small overspends in Financial Services and Revenues and Benefits. This overall surplus comes despite posting a provision in Revenues and Benefits to reduce the level of debt and associated balances created over several years relating to salaries paid by the Council in respect of school-based staff. A review has concluded that it is not certain that schools will reimburse the Council for this expenditure, given the age and uncertainty of some of the debt. Accordingly a provision of £1.0m has been included.

- **Legal and Democratic Services** – a small saving of £0.1m in Legal Services resulted in an overall underspend of £0.1m on the net budget of £6.8m for the department.

- **Chief Executive's Office** – the Chief Executive's Office including Policy, Programmes & Change underspent the £5.4m net expenditure budget (£5.5m gross budget) by £0.4m. This is primarily through an underspend on employees in Public Affairs and Policy, Programmes and Change in anticipation of a need to achieve further efficiencies in 2016-17.

- **Human Resources (HR)** – ended the year spending £0.8m less than its net budget of £7.8m. Approximately half the under spend is in employee costs within the core Human Resources & Administration functions due to vacancy control pending the completion of the restructure and the decentralisation of Transactional Support staff. The other half of the under spend is from one off savings and income generation within Workforce Development. The projections also allow for work on Council priority programmes such as New Deal & Learner Management System being funded in 2015-16 via prior year underspends.

- **Property Programme** – the Property Programme balanced its net revenue budget of £1.3m. During the year work continued on the City Centre Property Utilisation Project that is now nearing completion.

- **Non Service Budgets** – the underspend of £1.6m was largely due to an overachievement of £0.7m interest earned on bank balances, and a £0.4m underspend on Flood Hardship grants. The Government funding for Flood Hardship will be available to spend in 2016-17.

- **Central budgets** – overall Central Budgets and Net Transfers to reserves shows an overspend of £5.5m. This includes an additional £6.8m in severance costs to fund a provision for redundancy costs associated with future budget plans. Further, £2.8m of costs were transferred to the Better Use of Budgets reserve to fund deferred expenditure in 2016-17. Additionally there were technical accounting adjustments for gains and losses on disposal of fixed assets.

Material or Unusual Charge in the Accounts

Termination costs

The 2016-17 budget set in February 2016, included robust saving proposals, which will reduce future staffing levels. Based on a three year average termination cost of £23,400 per employee, £6.8m has been set aside in a short and long term termination provision. Further savings beyond 31 March 2018 are forecast but as saving plans are still to be consulted on, funding for any associated termination costs is covered by the £4.1m Severance Reserve.

Material Write-offs during the Year

There were no material write–offs in either 2015-16 or 2014-15.

The Council's revenue result compared to the Comprehensive Income and Expenditure Statement (CIES)

The previous paragraphs have explained the 2015-16 net spending that has been funded from local taxation. The CIES shows the accounting cost of providing services in accordance with generally accepted accounting practices. Compared to 2014-15 when the Council incurred a deficit of £24.7m on the provision of services, in 2015-16 the deficit increased to £85.3m.

However, the deficit on the cost of providing services in 2015-16 is offset by a net £59.7m gain on Other Comprehensive Income and Expenditure. This comprises a £8.7m revaluation loss offset by a net £68.4m actuarial gain on the pension fund liability. As the corresponding figure in 2014-15 was a £76.2m Other Comprehensive Income deficit, overall this means that the CIES has moved from a £101m deficit in 2014-15 to a £25.6m deficit in 2015-16.

After removing expenditure and income not chargeable against cash Council Tax, such as depreciation, in the Movement in Reserves Statement (see page 19), there was a reduction of £4.5m in school balances, no change on the General Fund Balance and a reduction of £11.8m in earmarked reserves.

The Council's Balance Sheet

With the propsed four year 2016 Local Government Settlement confirming that the Council will continue to face real term reductions in funding in the years beyond 2015-16, the Council's balance sheet at 31 March 2016, is a useful indicator of the Council's long term financial health of the Council.

In 2015-16 the Council's net worth decreased from a negative £16.5m at 31 March 2015 to a negative net worth of £42.2m at 31 March 2016. The main movements that make up the decrease of £26m in the Council's net worth were:

- a £53m decrease in long term assets.
- a £36m decrease in net current assets.
- a £63m reduction in long term liabilities.

Capital Spending in 2015-16

The Council spent £70.6m in the year (£113,95m in 2014-15) including £0.6m of capitalised finance lease costs. This was £4.3m less than planned. The Saltaire Hydro and the Saltaire Extra/Intermediate Care Development were aborted in year and the costs of £0.2m spend on design and optional appraisal incurred in the past three years was charged to revenue. This means the net capital was £70.4m. In addition the Council received £0.3m in donated heritage assets.

Major Capital Schemes in 2015-16

The table below shows the expenditure in 2015-16 on some of the major capital schemes, along with the total spend by department.

Major Capital Schemes Expenditure 2015-16

Department and Schemes	Main Schemes £000	Total Spend £000
Adult and Community Services		**651**
Children' s Services		**24,037**
Primary Schools Expansion Programme	7,336	
Capital Maintenance Grant	5,773	
Schools direct revenue funding	3,411	
Targeted Basic Needs	3,349	
Devolved Formula Capital	1,579	
Public Health		**350**
Environment and Sport		**3,018**
Replacement of Vehicles	1,657	
Property & Economic Development		**17,510**
Property Programme	8,756	
City Centre Growth Zone	6,636	
Tyrls	1,585	
Climate, Housing, Employment & Skills		**10,897**
Disabled Housing Facilities Grant	3,288	
New Affordable Housing	3,268	
Temporary Housing – Clergy Hse/Jermyn Ct	1,070	
Carbon & Other Efficiencies	1,066	
Planning		**735**
Highways & Transport		**13,367**
Capital Highways Maintenance	4,624	
Local Pinch Point Fund	1,882	
Total		**70,565**
Less abortive Costs		-212
Grand Total		**70,353**

Where the money came from to pay for the spending on capital schemes in 2015-16

The Council has the freedom to borrow to fund capital investment but it must borrow responsibly and at affordable levels. It demonstrates that it has done so by setting and observing a range of prudential indicators covering the level of capital expenditure and the cost of financing it. One such measure is the Council's Capital Financing Requirement (CFR). In 2015-16 it fell slightly from the level in 2014-15. However, it is the Council's medium term strategy to reduce the cost of borrowing in line with the Council's reduction in overall spend.

Other than borrowing, the Council continues to receive capital grants towards certain projects and is able to reinvest its capital receipts or use revenue to fund capital spending.

In 2015-16 the capital spending of £70.4m was funded as follows:

- £18.0m (26%) by borrowing generating capital financing charges which will form part of future revenue spending.
- £40m (56%) from government and other grants.
- £6.7m (10%) from revenue contributions and other revenue reserves.
- £5.1m (7%) from capital receipts from the sale of land and buildings.
- £0.6m (1%) from other Finance Leases.

Schools

In recent years, the value of Property, Plant and Equipment shown on the Balance Sheet has been volatile due to changes in convention about how to account for education assets and the ability of the Council to control the assets and influence future service potential.

Where the Council directly owns a school or where the School Governing body own the assets or have had rights to use the assets transferred to them, the school is recognised in the Balance Sheet. As Community Schools are owned by the Council they are therefore, recognised on the Balance Sheet.

Of the Council's Voluntary Aided and Controlled schools, the majority are owned by the respective Diocese with no formal rights to use the assets passed to the School or Governing Bodies. The schools are owned by trusts run by religious organisations and provision is available by the extended goodwill of the trust. As a result these schools are not recognised on the Balance Sheet.

Where the ownership of a Trust/Foundation School lies with a charitable Trust, the school is not recognised on the Council's Balance Sheet. There are 11 Foundation schools where as the ownership lies with the School/Governing Body the school is recognised on the Council's Balance sheet. The Council considers it exercises sufficient control over the school governing bodies to warrant recognition of any school where ownership is invested in the governing body.

In 2015-16 three secondary schools converted to Academies, one of which was a Community School and as at 1 April 2015, on the Council's Balance Sheet. The value of this disposal was £7.3m. Another was a new Academy School constructed by the Council and as the long term lease has not been completed it remains on the Balance Sheet. The other (Voluntary Aided) was never on the Council's Balance Sheet. The table below categorises all Bradford schools and sets out the current accounting treatment.

Type of school	2014-15	2015-16	Accounting Treatment
Community	92	91	On Balance Sheet
Special Schools	6	6	On Balance Sheet
Foundation	13	13	2 Church of England Off Balance Sheet, 11 owned by Governing Bodies On Balance Sheet
Voluntary Aided	30	29	Off Balance sheet
Voluntary Controlled	12	12	Off Balance sheet (with the exception of 5 VC schools the Council still holds the legal title)
Academies	32	35	Off Balance sheet
Trust	5	5	Off Balance sheet
TOTAL SCHOOLS	**190**	**191**	
Nurseries	7	7	On Balance Sheet

* The total number of schools has increased due to the opening of Bradford Forster Academy in September 2015.

For further information on how the Council decides which schools should be included on its Balance Sheet see the Critical Judgements in Applying Accounting Policies on page 37.

Significant Provisions at 31 March 2016

The provisions total £22.7m at 31 March 2016 (£21m at 31 March 2015) and are included in Note 20 on page 53. They are split on the Balance Sheet between short term, (up to one year from the Balance Sheet date), and long term.

The significant movements in provision balances in year were as follows:

a) The cost of planned future termination costs in 2016-17 and future years arising from the detailed saving proposals approved as part of the 2016-17 Budget has been assessed as £8.4m.
b) The provision to cover the risk of day to day insurance losses has been reduced by £0.5m to £7.8m.
c) The provision on personal property search fees has been increased to £0.2m.
d) After charging £4.9m to the Council's provision for the outcome of successful appeals against the Valuation Office's 2010 Business Rates Valuation list, a further £3.4m has been set aside for outstanding appeals. This leaves Bradford's estimated share of lost Business Rates income as a result of appeals at 31 March 2016 at £5.9m.
e) No provision was required on Equal Pay claims.

Reserves

The Council's policy is to use reserves to fund one-off expenditure or transitional activity while reducing its recurrent cost base.

At 31 March 2016, the Council had £19.9m of unallocated reserves available to support future budget decisions. £6.1m of this has been used straight away to support the 2016-17 budget, leaving just £13.8m. The remaining £103m of earmarked reserves are set aside for future commitments, such as the integration of Health and Social Care, as well as specific financial risks.

In addition, the Council has a General Fund balance of £10.8m, which is an operational contingency and is small in comparison to the Council's annual expenditure. There are also £33.8m of balances ring-fenced for schools.

A detailed analysis of all the Reserves held by the Council is set out in Note 5, Page 41.

a) General Fund balance

The General Fund balance acts as a necessary contingency against unforeseen events. At 31 March 2016 the General Fund balance remains at £10.8m and within the Council's policy of 2.5% of the net budget requirement.

b) Schools delegated balances

At the 31 March 2016, ringfenced school balances were £33.8m, a decrease of £4.5m, compared to £38.3m at 31 March 2015. The balances of £33.8m comprise £18.9m held by schools and £14.9m held centrally for school contingencies. Of the £14.9m for school contingencies, £9.6m has been used straight away to fund the 2016-17 budget.

The balances have been carried forward to schools' budgets in 2016-17 in accordance with delegated arrangements.

Pensions Liabilities

The Pension Fund deficit calculated by the Actuary decreased in 2015-16 by £33m. This is made up of a £69m net actuarial gains, relating to updated estimates by the actuary of the future value of assets and liabilities, reduced by £36m for net 2015-16 pension costs.

The net actuarial gain of £69m mainly relates to the Local Government Pension Scheme (LGPS). It comprises a £115m actuarial gain on the estimated future pension liabilities, less a £46m reduction in the value of assets held to fund those benefits.

The £115m actuarial gain is caused by an increased gap between the inflation rate and the discount rate. The more the inflation rate is above the discount rate, the lower the value of future promised pension benefits.

Council Tax and Non Domestic Rate Collection

At 31 March 2016 the Council had collected 94.3% of the value of council tax bills for the year, exactly the same as at the same point last year. For non-domestic rates the figures are 96.9% collected at 31 March 2016 compared to 97.7% at the same time last year.

Collection Fund (Council Tax and Business Rates)

a) Council Tax

After distributing in 2015-16 the opening surplus balance on the Council Tax Collection Fund, £2.7m, the Council Tax element of the Collection Fund ended the year £3.1m in credit. A surplus of £2.6m, Bradford's 85% share, is reported in the accounting statements.

The overachievement of Council tax income compared to the budgeted figure is due to a higher number of new properties being billed and a lower than forecast cost in the current year of providing Council Tax Reduction support.

b) **Business rates**

The Business Rates retention scheme provides for Business Rates collected by Bradford Council to be shared between itself, central government and the West Yorkshire Integrated Fire Authority. Any difference between what the Council forecast it would raise in Business Rates in 2015-16 (£68.513m) and what it has actually raised results in either a surplus or deficit on the Collection Fund.

A deficit of £23.8m was outturned, Bradford's share being £11.7m. After a statutory accounting adjustment, this is reduced to a deficit of £21.2m, in line with the forecast in January 2016, which was used to set the 2016-17 budget. Bradford's share (49%) of this deficit was £10.4m.

A reason for the deficit was the impact of appeals against rateable values. Successful appeals require the Council to refund business rates for 2015-16 and in many cases prior years. There was a high cost of refunds because of:

- Refunds due to rateable value reductions on GP surgeries backdated to prior years.
- Refunds on other rateable value reductions.

This deficit on the Business Rates Collection Fund was fullyforecast when the 2016-17 budget was set. As a result, the deficit has already been budgeted for and there will be no additional pressure in future years.

2016-17 and beyond

The primary financial challenge is that the Council continues to face ongoing funding reductions. The 2015-16 Revenue Support Grant (RSG) of £107.4m was reduced from the 2014-15 RSG of £149.4m. In 2016-17, the RSG further reduces to £83.9m, a further reduction of £23.5m.

In the face of funding reductions, the Council made significant budget reductions on the 2015-16 net budget of £400.8m. The 2016-17 budget included £27.4m of previously planned savings and a further £17.3m of new savings. Further savings of £24.3m were agreed for the 2017-18 budget with an estimated deficit of around £10m still to close. Disciplined management of net cost reduction through cost control and income growth will remain central to the Council's financial strategy.

As the Revenue Support Grant from Central Government declines, the Council will become increasingly reliant on Business Rates, Council Tax and income from fees and charges. This reliance on the Council's local sources of funding will become more pronounced due to expected changes in the national Business Rates system, which are the subject of current Government consultation. By 2020-2021, local authorities will together retain 100% of Business Rates collected; some element of redistribution to reflect the different needs of areas and population is expected to remain; and councils will likely take on new functions. The system will likely mean that individual Councils will be more directly affected by the buoyancy of their local tax yields.

Growth in Business Rates as an income stream also reflects the Council's pursuit of the key objectives of creating more and better jobs, higher skill levels, and a growing economy. Part of this is the proposed introduction of discretionary business rate relief to encourage new developments, bringing listed buildings back into economic use, and to tackling vacant premises in core urban centres.

The Council continues to be impacted by the conversion of schools to academies. As schools convert to academies, there are reductions to the Council's Education Services Grant and Dedicated Schools Grant, which further reduces the income supporting the Council's budget. When schools convert, accounting standards determine that their land and buildings can no longer be shown on the Council's balance sheet. An increasing number of schools will convert to academies over the next few years, with more impact on the Council's budget and balance sheet.

The Council will work with health partners to produce a Sustainable Transformation Plan in 2016-17, to address the national challenges to NHS finances. This planning is bound up with the shortfall in funding for Adult Social Care, due to demographic changes, and its consequences for NHS organisation. In the context of the Care Act 2014, Adult Social Care Services and the NHS will increasingly integrate by 2020. The precise implications of these reforms are not yet definite, but they are likely to be financially significant.

Discussions are underway, between Leaders of the Regions, Councils and Government about a devolution agreement, which will have financial consequences, again not yet clear.

Finally, the result of the referendum on the European Union referendum brings further uncertainty.

Overall, therefore, the Council's financial climate remains turbulent, with the overriding certainty that it will be financially smaller by 2020.

Stuart McKinnon-Evans
Director of Finance

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that are real cash) and other non cash reserves. The closing 31 March 2016 General Fund Balance of £44.606m comprises £10.803m (£10.803m in 2014-15) balances generally available to the Council and £33.803m (£38.356m in 2014-15) cash balances held on behalf of schools under the Local Management Scheme.

The deficit on the Provision of Services line of £85.336m (deficit of £24.753m in 2014-15) within the Income and Expenditure account is reversed out of usable reserves into unusable reserves. This is because by statute many of the accounting transactions making up the deficit cannot be charged against the General Fund Account. Unusable reserves have reduced by £9.922m (reduction of £102.498m in 2014-15).

			General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
			Note 4	Note 4	Note 4	Note 4	Note 4 & Balance Sheet	Note 21 & Balance Sheet	Note 21 & Balance Sheet
			a	b	c	D	e	f	g
							(a+b+c+d)		(e+f)
			£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2014	a		**51,314**	**125,898**	**882**	**38,435**	**216,529**	**-132,022**	**84,507**
Movement in reserves during 2014-15									
Surplus/ (deficit) on provision of services (Restated) (page 20)	b		-24,753	0	0	0	-24,753	0	-24,753
Other Comprehensive Income and Expenditure (page 20)	c		0	0	0	0	0	-76,275	-76,275
Total Comprehensive Income and Expenditure (page 20)	d	**b+c**	**-24,753**	**0**	**0**	**0**	**-24,753**	**-76,275**	**-101,028**
Adjustments between accounting basis & funding basis under regulations (note 4)	e		31,693	0	888	-6,358	26,223	-26,223	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	f	**d+e**	**6,940**	**0**	**888**	**-6,358**	**1,470**	**-102,498**	**-101,028**
Transfers to/from Earmarked Reserves (Note 5, p41)	g		-9,095	9,095	0		0	0	0
Increase/Decrease(-) in 2014-15	h	**f+g**	**-2,155**	**9,095**	**888**	**-6,358**	**1,470**	**-102,498**	**-101,028**
Balance at 31 March 2015	i	**a+h**	**49,159**	**134,993**	**1,770**	**32,077**	**217,999**	**-234,520**	**-16,521**
Movement in reserves during 2015-16									
Surplus/ (deficit) on provision of services (page 20)	j		-85,336	0	0	0	-85,336	0	-85,336
Other Comprehensive Income and Expenditure (page 20)	k		0	0	0	0	0	59,703	59,703
Total Comprehensive Income and Expenditure (page 20)	l	**J+k**	**-85,336**	**0**	**0**	**0**	**-85,336**	**59,703**	**-25,633**
Adjustments between accounting basis & funding basis under regulations (note 4)	m		68,968	0	3,078	-2,421	69,625	-69,625	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	n	**l+m**	**-16,368**	**0**	**3,078**	**-2,421**	**-15,711**	**-9,922**	**-25,633**
Transfers to/from Earmarked Reserves (Note 5, p41)	o		11,815	-11,815	0	0	0	0	0
Increase/Decrease(-) in 2015-16	p	n+o	**-4,553**	**-11,815**	**3,078**	**-2,421**	**-15,711**	**-9,922**	**-25,633**
Balance at 31 March 2016	q	i+p	**44,606**	**123,178**	**4,848**	**29,656**	**202,288**	**-244,442**	**-42,154**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost during the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2014-15	2014-15	2014-15		2015-16	2015-16	2015-16
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
7,267	-8,225	-958	Central Services to the Public	6,940	-5,422	1,518
40,677	-21,924	18,753	Planning and Development Services	34,613	-13,347	21,266
51,218	-20,218	31,000	Cultural and Related Services	46,523	-17,546	28,977
55,035	-11,475	43,560	Environmental and Regulatory Services	55,251	-11,470	43,781
660,124	-525,787	134,337	Education & Children's Services	666,448	-516,278	150,170
55,562	-7,601	47,961	Highways & Transport Services	56,536	-9,181	47,355
208,167	-184,151	24,016	Housing Services	202,567	-179,890	22,677
173,885	-48,984	124,901	Adult Social Care	179,933	-55,681	124,252
9,390	-668	8,722	Corporate & Democratic Core	8,927	-182	8,745
36,763	-36,288	475	Public Health	42,628	-41,792	836
6,209	-134	6,075	Non Distributed Costs	3,613	-133	3,480
1,304,297	**-865,455**	**438,842**	**Cost of services**	**1,303,979**	**-850,922**	**453,057**
		9,094	Other Operating Expenditure (Note 8a)			6,514
		69,210	Financing and Investment income and expenditure (Note 8b)			62,645
		-492,393	Taxation and non-specific grant income (Note 8c)			-436,880
		24,753	**Surplus (-) /Deficit on Provision of Services**			**85,336**
		-12,866	Surplus (-)/Deficit on revaluation of non current assets			8,743
		89,141	Re-measurements of the net defined benefit liability			-68,446
		76,275	**Other Comprehensive Income and Expenditure**			**-59,703**
		101,028	**Total Comprehensive Income and Expenditure**			**25,633**

For further explanation, see page 15, the Council's revenue result compared to the Comprehensive Income and Expenditure Statement

.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, which represent real cash available to the Council to provide services. The Council must maintain a prudent level of these reserves for unexpected events. The second category of reserves does not represent real cash. It includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”.

31 March 2015		31 March 2016	*Notes*
£000		**£000**	
1,112,302	Property, Plant and Equipment	1,063,943	*Note 9*
35,840	Heritage Assets	36,261	*Note 12*
47,917	Investment Property	45,734	*Note 13*
3,738	Intangible assets	1,460	*Note 14*
1	Long term investment	1	*Note 16*
1,717	Long term debtors	1,433	*Note 17*
1,201,515	**Long Term Assets**	**1,148,832**	
53,700	Short Term Investments	7,238	*Note 18*
2,770	Assets Held for sale	652	*Note 19*
2,240	Inventories	2,237	*Note 18*
84,263	Short Term Debtors	77,070	*Note 18*
99,336	Cash and Cash Equivalents	74,038	*Note 18*
242,309	**Current assets**	**161,235**	
-4,379	Cash and Cash Equivalents (Overdraft)	-3,523	*Note 18*
-59,419	Short term borrowing	-29,486	*Note 18*
-103,861	Short Term Creditors	-91,032	*Note 18*
-10,623	Provisions	-9,383	*Note 20*
-178,282	**Current Liabilities**	**-133,424**	
-10,418	Provisions	-13,343	*Note 20*
-332,079	Long term borrowing	-306,127	*Note 47c*
-933,203	Other Long Term liabilities	-891,280	*Note 39*
0	Deferred income	0	*Note 40*
-6,363	Capital Grants Receipts in Advance	-8,047	*Note 45*
-1,282,063	**Long Term Liabilities**	**-1,218,797**	
-16,521	**Net Liabilities**	**-42,154**	
-217,999	Usable Reserves	-202,288	*Note 5*
234,520	Unusable Reserves	244,442	*Note 21*
16,521	**Total Reserves**	**42,154**	

The total assets less liabilities of the Council are financed by movements in reserves. There was a reduction in total reserves of £25.633m from a deficit of £16.521m at 31 March 2015 to a deficit of £42.154m at 31 March 2016.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council i.e. fees and charges. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2014-15		2015-16
£000		£000
24,753	Net (surplus) or deficit on the provision of services (Comprehensive Income and Expenditure Statement page 20)	85,336
-182,531	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22 d)	-178,358
66,354	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 22 d)	44,640
45,045	Interest and dividends received and paid	35,537
-46,379	**Net cash flows from Operating Activities (Note 22 a)**	**-12,845**
801	Investing Activities (Note 22 b)	-30,701
33,411	Financing Activities (Note 22 c)	67,988
-12,167	**Net (increase) or decrease in cash and cash equivalents**	**24,442**
	Balance Sheet Movement	
82,790	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet page 21: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	94,957
94,957	Cash and cash equivalents at the end of the reporting period (Note 18, page 51) (Balance Sheet page 21: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	70,515
-12,167	**Net (increase) or decrease in cash and cash equivalents**	**24,442**

Note 1. Statement of Significant Accounting Policies

The following notes are provided to give more detailed analysis in support of the main financial statements. They include all the information authorities are required to disclose except that for this Council the following disclosure requirements are not relevant for the 2015-16 Statement of Accounts:

- Schemes under the Transport Act 2000 (road user charging and workplace parking levy schemes): The Council has not entered into any such activities.
- Business Improvement District (BID) schemes: No such schemes have been established by the Council.
- Changes in depreciation method: There has been no change to the way fixed assets are depreciated.
- Changes in the basis of amortisation of intangibles: There has been no change to the way in which intangible assets are amortised.
- Analysis of net assets used by General Fund services, Housing Revenue Account (HRA) Services and trading services: The Council has no HRA and none of its trading services uses a material level of the overall net assets.

The accounts have been prepared in accordance with:

- The Accounts and Audit Regulations 2015.
- The Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as adopted and adapted by the Code.
- The Service Reporting Code of Practice (SeRCOP) 2015-16.

Fundamental Accounting Principles

Where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

Consistent accounting policies have been applied both within the year and between years unless otherwise identified.

The accounts have been prepared on a going concern basis and reflect the reality or substance of the transactions and activities underlying them, rather than their formal character.

The financial statements give a true and fair presentation of the financial position, financial performance and cash flows of the Council.

Balances and transactions are recognised gross rather than netted off each other.

Comparative information is disclosed in respect of the previous period for all amounts reported in the current period's financial statements.

The concept of materiality has been used such that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided in aggregate they would not affect the interpretation of the accounts.

Where estimation techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Council's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is disclosed separately.

i. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

There are a small number of exceptions to the accruals concept:

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.

ii. Cash and Cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, but in the balance sheet these are shown gross.

iii. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non – Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, in accordance with the Prudential Code. This requires that the Council sets the annual contribution at a prudent level, so that the contribution pays broadly for the benefit in each year of the capital expenditure in proportion to the overall borrowing required. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP (Minimum Revenue Provision) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, leased cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made using appropriate sampling techniques for the estimated cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged out to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment (before the normal retirement date) or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to individual Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or is making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the actual amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Local Government Pensions Scheme, administered by Bradford Council on behalf of the West Yorkshire Pension Fund.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

Both schemes provide defined benefits to Members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and any other relevant factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond. The discount rate adopted by the Actuary is based on a weighted average of "spot yield" on AA rated corporate bonds.
- The assets of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet (netted from the overall pension liability) at their fair value:

    - quoted securities – current bid price.
    - unquoted securities – professional estimate.
    - unitised securities – current bid price.
    - property – market value.

The change in the net pensions liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Net interest expense on the defined benefit obligation – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is netted off the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Re-measurement of the net defined benefit obligation – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
- Contributions paid to the West Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Additional pension costs such as early retirement costs, for which the WYPF recharge the Council direct, have been included in the liabilities and contributions in line with International Accounting Standard (IAS) 19 R.

All defined benefits awarded to employees are recognised in the pension liability, and an actuarial calculation of the liabilities in respect of the compensatory added years benefits awarded to teachers has been obtained and included within the overall pension liability.

The difference between the value of the pension fund assets calculated by the actuary and the present value of scheme liabilities is shown in Note 21d relating to the Pension Reserve, see page 57.

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

Local Government Pension Scheme members retiring on or after 6 April 2006 can elect to take a higher lump sum in exchange for a lower retirement benefit. The commutation terms mean that it is less costly for the scheme to provide the lump sum than the pension, as more members take up this option, employers' pension costs are reduced. At its inception it was assumed that 50% of members will take up the option to increase their lump sum to the maximum available. However, the 2015-16 figures are based on actual take-up levels up to 31 March 2016.

Teachers' Pensions

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These benefits are fully accrued in the pension liability.

Discretionary Benefits

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

vii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, trade payables, lending, trade receivables, investments and bank deposits of the Council.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They can be classified either as *financial liabilities at amortised cost* or as *financial liabilities through profit and loss*.

Those classified as *financial liabilities at amortised cost* are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy to spread the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, or ten years (if shorter). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in active market.
- Available-for-sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where a local authority has assets which are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Financial Assets

Available-for-sale financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where there is a gain or loss in fair value on Available for Sale Financial Assets, this change is shown separately within Other Comprehensive Income and Expenditure in the Income and Expenditure Account, under the heading "Gains and Losses reclassifiable into the Surplus or Deficit on the Provision of Service". Changes in fair value on Available for Sale Financial Assets can be subsequently recognised in the Surplus or Deficit on Provision of Service on derecognition.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

ix. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where grants can be treated as revenue or capital, they will in the first instance be treated as revenue grants, with the expectation that the grants are credited to the Comprehensive Income and Expenditure account and then transferred to a grant earmarked reserve. There is an expectation that the grants will be credited in full into the Comprehensive Income and Expenditure statement because where grants can be used either for a capital or revenue purpose, it is likely that the Council has met the conditions of the grant. In the unlikely event that the conditions have not been met, the grant will be treated as a receipt in advance and carried forward into the next financial year as a liability on the balance sheet.

Some grants credited to the grant earmarked reserves will be used for a capital purpose. In these instances, they will be transferred directly to the Capital Adjustment Account via the Movement in Reserves Statement as an adjustment between accounting basis and funding basis under regulations. This will have no impact on the net assets of the Council.

Prior to the implementation of the above policy, some grants may have been credited to the capital grants unapplied reserve when they can be used for either a revenue or capital purpose. Where this has happened and grants have previously been credited to the capital grants unapplied reserve but are then identified as resourcing for a revenue purpose within the rules of the grants, they will be transferred directly via the Movement in Reserves from the capital grants unapplied reserve and into the grant earmarked reserve.

xi. Heritage Assets

The Council's Heritage Assets are assets that are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured including treatment of revaluation gains and losses in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where it is practicable to obtain a valuation, heritage assets are held at current value. Valuation methods used by the authority include professional valuations and insurance valuations. The Council has recognised the major pieces of its museum collection on the Balance Sheet on the basis of the lower valuation completed by an external valuer. Civic regalia has been included using as its base the detailed insurance valuations (which are based on market values provided by an external valuer in 2010) held by the Council in respect of the collection.

Where a current valuation is not practicable at a reasonable cost, heritage assets are held at historic cost, if this is known. If neither current valuation nor historic cost is available then heritage assets are not recognised on the balance sheet. The authority discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

In 2013-14, the accounting policy for one category of Heritage Assets changed, so that items in Museum collections are only included in the balance sheet, where an independent valuation by an expert is available

The Council is unlikely to be able to recognise the majority of the ceramics, porcelain work, figurines, pottery, machinery, ephemera, photography, biological and geological records and specimens, books and manuscripts in future financial statements. This is due to the fact that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

The Council discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

Heritage assets are assumed to be held in perpetuity, and are therefore not depreciated. However, heritage assets are reviewed for impairment in the same way as any other tangible or intangible assets.

The Council has had a number of items kindly donated over the years, but it has insufficient information as to what the value would have been when they were donated. The Council has therefore not recognised any of these assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010, although their current value might be included as Long Term Assets on the Balance Sheet.

Some assets are also classified as operational heritage assets where they are in addition to being held in trust for future generations, also used by the Council for other activities and services. In such cases, the assets are classified, valued and depreciated in accordance with their general type, for instance buildings.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences), is capitalised, when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of Council websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Interests in Companies and Other Entities

The Council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements which would require it to prepare group accounts.

The Council has financial relationships with a number of subsidiary and associated companies, in the main to manage the Building Schools for the Future (BSF) programme. None of them are material in size or nature. They are shown in the notes to the main financial statements and have been treated according to IAS 27 and IAS 28 (Associates).

xiv. Inventories and Long term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Properties are not depreciated but valuations are assessed annually to ensure they reflect market conditions at year end. Gains and losses on revaluation are posted to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals.

Rentals received in relation to investment properties are credited to Financing and Investment Income and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Joint Arrangements

Joint arrangements are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Joint arrangements may also mean items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint arrangement does not involve the establishment of a separate entity. The Council accounts for only its share of the joint arrangements, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint arrangement and income that it earns from the arrangement.

xvii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use assets in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received).
- finance charge (debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Operating leases

Where the Council does not have the risks and rewards of ownership, the rental income is shown in the Income and Expenditure account as an expense of the Services benefiting from the use of the leased property, plant and equipment.

The Council as Lessor

Finance Leases

Where the Council grants a lease on one of its assets, a finance lease exists where the economic reality is a sale. This is usually when the minimum lease payments approximate to the value of the asset. The accounting treatment is that the related asset is removed from the balance sheet as a disposal and the lease payments separated into deferred capital receipts and interest income.

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future lease rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015-16 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

xix. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above the de minimis level of £10,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the costs of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).
- Community assets – the Council values community assets at current value, with the exception of one asset, which is valued (£20.40m) at historical cost.
- Surplus assets – fair value, estimated at highest and best use, determind from the perspective of market participants.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

Where non-property assets (Vehicles, Plant, Furniture and Equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Component Accounting

The Council's accounting policy from 1 April 2010 onwards is to apply component accounting to all assets being revalued, enhanced or acquired, with a net book value excluding land of £1m or more. Separate components will only be identified where their value is a minimum of 20% of the cost of the asset, and have a different life to other components of the asset. The main component classes to be separately valued will be the structure, plant and equipment, and 'other' to include unusual or one-off components. Where an existing asset is revalued into separate components, the actual or estimated value of the separate components will have to be derecognised. If the original cost is not known, the Council's Asset Management service will use an appropriate index to calculate the net current value of the relevant component.

The Council is also following the Code of Practices' requirements for componentisation where assets are acquired or enhanced, with the Council's £1m minimum value excluding land, for componentisation, as set out below:

- When new assets are acquired, separate components with value over 20%, are recognised on initial recognition. This is best assessed when the asset is first acquired.
- Where an asset is enhanced, separate components (over 20% of total value) have been recognised. These components will not just relate to the enhancement work, but to existing components as well.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

Where an impaired loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all Property, Plant and Equipment assets by the systemic allocation of their depreciable amounts. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment –depreciated over 3 to 7 years as appropriate.
- Infrastructure – straight-line allocation over 30 years.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets are not depreciated in their year of acquisition. Revalued assets do not have their useful economic life (UEL) or depreciation charges amended until the year following the revaluation.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same place in the Comprehensive Income and Expenditure Statement and accounted for as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow), in the Capital Financing Requirement Statement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xx. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The unitary payments made for the PFI schemes are split, using estimation techniques, into separate elements. Those elements impacting on the balance sheet are the repayment of the liability and capital lifecycle replacement costs. Other elements are the interest payable on the outstanding liability, the value of services received and contingent rent (contract inflationary increases) which impact on the Comprehensive Income and Expenditure statement.

xxi. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council could be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate services in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The carrying value of debtors has been impaired to reflect bad and doubtful debts. The impairment is netted off the gross total of debtors in line with accounting practice and is not included in the provisions note. Known uncollectable debts have been written off in full.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxii. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. These reserves are classed as usable reserves and itemised in Note 5 on page 41.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These reserves are classed as unusable reserves and explained in Note 21 on page 55.

xxiii Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes grants and other assistance given to outside bodies and individuals for capital purposes. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxiv. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

xxv. Partnership Arrangements

Where the Council acts as the accountable body for specific grants or other schemes, they are accounted for on the following basis:

- If the Council controls the grant distribution process, all of the grant money received and the associated expenditure will be included in the Council's accounts. Conversely if the Council does not control the award of grant, only the grant allocated to the Council itself and the associated expenditure is recognised in the Council's accounts.
- Where the Council is the ultimate recipient of grant distributed by the decision making body, the grant receivable is included in the accounts on an accruals basis.
- Where liabilities may arise for the repayment of grant as a result of the Council's status as an accountable body these will be recognised in the accounts of the Council in accordance with accounting policies.

xxvi. Council Tax and National Non Domestic Rates (NNDR)

In the Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. The Code requires that only the Council's share of income and expenditure and Balance Sheet items are included in the financial statements.

The Council acts as an agent in collecting National Non Domestic Rates (NNDR) on behalf of the government, but also retains a 49% share of NNDR received. The budgeted, rather than actual, total of the 49% share of NNDR attributable to the Council is recognised in the Comprehensive Income and Expenditure Statement. The difference between the budgeted 49% share and the actual amount received is transferred to the Collection Fund Adjustment Account and credited or debited to the Comprehensive Income and Expenditure Statement in future years.

As part of directly receiving a share of NNDR rates, the Council will also incur a share of the loss for repayments arising from appeals against NNDR valuations, which can be backdated to years prior to 1 April 2013. The Council has taken up a right allowed by statute to charge this cost to the Comprehensive Income and Expenditure Statement over a period of 5 years, starting in 2014-15.

xxvii. Acquired and Discontinued Operations

Where the Council, has acquired material operations, or discontinued operations, further details will be provided. In general, the acquired or discontinued operations will also be shown separately in the Comprehensive Income and Expenditure Account. For example, Housing Options, provider of housing advice, was transferred to the Council in February 2014 and is shown separately in the Comprehensive Income and Expenditure Account.

XXViii. Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted price (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Note 2. Disclosure Requirements – Prior Period Adjustments

(a) The Collection Fund has been restated so that the distribution of the Collection Fund surplus/repayment of deficit for Business Rates is shown against the correct bodies:

Collection Fund Statement	2014-15 £000 Original	2014-15 £000 Change	2014-15 £000 Restated
Expenditure			
Distribution of Collection Fund Surplus/repayment of deficit (-):			
Bradford Council	-2,497	0	-2,497
West Yorkshire Fire and Rescue Authority	-2,548	2,497	-51
Police & Crime Commissioner for West Yorkshire	-51	51	0
Central Government	0	-2,548	-2,548
Total	**-5,096**	**0**	**-5,096**

(b) The Employees' Remuneration banding for 2014-15 has been restated:

Number of Employees 2014-15 (per 2014-15 accounts)	Employees Emoluments	Number of Employees 2014-15 (Restated)
151	£50,000 - £54,999	157
124	£55,000 - £59,999	127
58	£60,000 - £64,999	63
65	£65,000 - £69,999	67
28	£70,000 - £74,999	30
25	£75,000 - £79,999	29
14	£80,000 - £84,999	17
10	£85,000 - £89,999	10
5	£90,000 - £94,999	5
4	£95,000 - £99,999	3
1	£100,000 - £104,999	1
1	£105,000 - £109,999	1
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
2	£120,000 - £124,999	2
1	£125,000 - £129,999	2
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
1	£140,000 - £144,999	1
490	Total	515

(c) For 2014-15, iIn Note 23, Amounts Reported for Resource Allocation, within the service analysis, Revenues and Benefits has been restated as a separate segment, rather than included in the Central, Corporate and Non Service segment.

Note 3. Accounting Standards not yet adopted, Changes to the Code, Critical Judgements and Assumptions and Estimation

Accounting Standards Issued, not yet adopted

Accounting Policy	Summary of Policy	Effect of any changes
IAS 1 Presentation of Financial Statements	This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis.	In the 2016/17 accounts, the 2015/16 comparators for CIES and MIRs will reflect the new formats and reporting requirements as a result of the Telling the Story review of the presentation of the local authority financial statements.
The CIPFA Code of Practice on Transport infrastructure assets	The CIPFA Code of Practice on Transport infrastructure Assets (the infrastructure Code) takes effect from 1 April 2016. The Code confirms that the changes arising from the Infrastructure Code do not require retrospective adjustment to the accounts. Infrastructure Assets will be reclassified as a single HighwaysNetwork Asset within Property, Plant and Equipment.	Infrastructure assets are currently revalued on a depreciated historic cost basis. The new Highways Network Asset will be revalued on a depreciated replacement cost basis. This is likely to cause a significant revaluation gain.

Other changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015-16 Statement of Accounts.

Critical Judgements in applying Accounting Policies

The Council has made judgements about different transactions and the uncertainty of future events. The critical judgements made in the Statement of Accounts are:

The Council has judged whether its leases are operating or finance leases. These judgements are based on a number of tests, which determine, regardless of the legal form, whether the economic reality of the lease arrangement is that the Council has purchased the asset on credit. The most common test to determine whether this is the economic reality is that the lease arrangement lasts for most of the life of the asset. The accounting treatment of operating and finance leases is different and impact on the main accounting statements.

The Council has also judged whether its contractual arrangements contain an implicit finance lease, which is to say the economic reality is that the Council is paying for the use of an asset as well as a service. The contractual arrangements are tested in a similar way to the Council's lease arrangements. Where this is the case, the Council has shown the asset on its balance sheet per the economic reality, which is that the asset has been purchased.

In addition, the Council has made judgements about which assets to classify as heritage assets, by judging whether those assets that are non-operational have artistic, scientific, cultural and environmental qualities. The accounting standards allow wide discretion over how to value heritage assets. The Council has made the judgement to value heritage assets using professional external valuations and insurance values on specific assets, where possible.

The Council has judged that when it has committed to a redundancy in writing by the end of the financial year, the costs to the Council of the redundancy are either accrued, if the person has left the Council by 31 March 2016, or included in a provision. A judgement has also been made about whether to include a provision for planned future redundancies, even when the Council is not committed to these. The tests are whether there is a high expectation and likelihood that the redundancies are carried out and that there is a detailed plan for redundancies.

The Council has made judgements about what other provisions should be made in the accounts and the amounts to be set aside. The Council has included provisions where the Council has a commitment at the financial year end to incur expenditure. The amount of the provision is based on an estimate of the commitment incurred using the evidence available, which is then discounted. In particular a provision was required in 2015-16 for the estimated costs of repaying Business Rates, following successful appeals. A provision for bad debts is also included based on the expectation of the Council receiving payment.

A judgement is also made on when to disclose a contingent liability. The test is whether at the year end date, there is a potential commitment to incur costs conditional on an event, such as the outcome of a court case.

There is also discretion and debate within current accounting standards about which school types should be included in the Balance Sheet, given there are different degrees of autonomy with the school types.

By virtue of legal ownership or the control exerted over school governing bodies, the Council recognises on its balance sheet at current value, interests in all schools where ownership is vested either in the Council or a school governing body. This includes all community schools, and some foundation and voluntary controlled schools (107 in total). All other schools (43) are vested in founding trusts controlled by religious or charitable bodies. Ownership of these schools is not recognised by the Council as there is no past transaction or event giving the Council control of these properties; rights to continuing use of the assets, or to the benefits associated with them. This is entirely dependent on the ongoing and future goodwill of the owner which could take back the asset at any time. However, the costs of providing actual education services from such establishments and the revenues arising are recognised as service costs under net cost of services.

Overall the Council's policy is not to include Academies on its Balance Sheet. As such, schools transferring to Academies will also be de-recognised from the balance sheet and newly built Academies will not be shown as assets on the Council's balance sheet when long term leases have been completed.

The Council has made judgements about how the Building Schools for the Future (BSF) Phase 2 schools were initially recognised on the Council Balance Sheet. Three mainstream Secondary Schools were handed over to the Council along with three co-located Special Education Secondary Schools on the sites. The Private Finance Initiative (PFI) contract does not separate out the construction costs for the Secondary Schools and the Special Schools and a judgement was made to recognise the schools initially on a 50:50 split based on the construction costs included in the PFI contract. This approach was taken as the PFI assets were to be revalued once they had been handed over to the Council and the value in the accounts as at 31 March 2016 is the revalued amount for assets that remain on the Balance Sheet.

Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether the Council will be able to maintain an adequate level of spend on repairs and maintenance, which could affect the useful lives of certain assets.	If the useful life of assets is for example reduced, depreciation increases and the carrying amount of the asset falls.
Provisions	The Council has a provision of £8.375m for termination costs arising from redundancies anticipated in the budget. An estimate has been made of these costs based on the anticipated number of redundancies and an average cost.	An increase or decrease in the cost of redundancy would have a proportionate impact on the provision required.
	The Council also has a provision of £7.831m at 31 March 2016 (£8.361m at 31 March 2015) for insurance claims which it has chosen to self insure (all claims under £120,000). The insurance provision has been rigorously reviewed over the last two years and is now considered to be at an adequate level to meet all expected claims.	If the insurance provision is not adequate, which is considered very unlikely, extra funds would have to be found from available reserves or from in year savings.
	In addition, the Council has a provision of £5.997m at 31 March 2016 (£7.526m at 31 March 2015) for the Council's share of Business Rate Appeals. New funding arrangements now mean that the Council receives 49% of the Business Rates it collects, instead of a redistribution from the government. The provision has been estimated by analysing all appeals to date by category as well as reviewing the rate of success.	If the Business Rate appeals provision is not adequate, additional funds would be required from reserves or in year savings.
	Under IFRS, provisions must be split between short term (up to one year) and long term (over one year). It is not possible to accurately determine when various claims, which may be subject to litigation, will be paid and therefore the analysis of the overall provision between long and short term is an approximate estimate.	An incorrect allocation of the provision between short term and long term will not change the net worth of the Balance Sheet, or impact on the Council's cash levels. It will either over or understate current or long term liabilities, where short and long term provisions are respectively included.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Aon Hewitt Limited, is engaged to provide the Council with expert advice about the	The effects on the net pension liability of changes in individual assumptions can be measured. A 0.1% increase in the discount rate assumption would result in a decrease in the present value of the total defined benefit obligation for Local Government Pension Scheme (LGPS) funded benefits of £42m.

	assumptions to be applied.	
Pensions Liability	The Council decided not to estimate the impact on the pension liability of Academy conversions because there were only two in 2015-16.	The impact is not significant on the overall pension liability
Arrears	At 31 March 2016, the Council had a balance of debtors and prepayments of £104m, a decrease of £5m compared to the 31 March 2015 figure of £109m. A review of significant balances suggested that a minimum impairment of debts of 15% was appropriate for balances aged at least one year, given the current economic climate, but higher levels than this have been included where appropriate.	If collection rates were to deteriorate, this would increase the amount of the impairment of doubtful debts.
Leases	Under IFRS, all leases must firstly be split into either finance or operating leases, and then into land and buildings. The Council has over 3,000 individual leases, most of which are for relatively small amounts. The Council does not have sufficient valuation staff to review all leases, and the resulting information would not justify the cost. The main assumptions which have been made are: **Split between finance and operating lease:** • A lease where the lease term is less than 75% of the economic life of the asset will be assumed to be an operating lease. • A lease where the real (i.e. present) value of the minimum lease payments is less than 80% of the asset value, is classed as an operating lease. There are approximately 40 equipment leases which have a value over £10,000 over the life of the lease which will be reviewed. Those under £10,000 will not be reviewed.	The effect of making an incorrect classification between finance and operating leases is not considered material. The effect of not undertaking a separation of land and buildings for all relevant leases is also not considered material. Many leases are for land only, for which assessment will be relatively easy.
Central and Departmental Recharges	All recharges of central services, such as financial services, information technology, human resources and legal services are made using the most appropriate basis for recharging. Some services are charged based on number of employees, net budgets, net space occupied, net time spent on each department or other basis as appropriate.	The effect of changing the basis of estimates would be to change the amounts on the individual headings within Net Cost of Services, within the Comprehensive Income and Expenditure Account.
Fair value measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable date, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example for investment properties the Council's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 9, 13 and 47.	The methods used to arrive at the fair value of surplus and investment properties are described in notes 9 and 13. They are based on observable data.

Note 4. Adjustments between accounting basis and funding basis under Regulations 2015-16

This note shows the removal of expenditure and income included in the accounts in accordance with accounting policies but not chargeable against Council Tax by statute. For example, depreciation is charged in accordance with accounting policy but is not chargeable against Council Tax by statute. The note also shows the charging of other items against Council Tax according to statute but which are excluded by accounting policies, for instance the minimum revenue provision.

2014-15					2015-16			
Useable Reserves					Useable Reserves			
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	**Adjustment between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
39,173	0	0	-39,173	Charges for depreciation and impairment of non current assets	40,442	0	0	-40,442
42,708	0	0	-42,708	Revaluation losses on property, plant and equipment	48,672	0	0	-48,672
189	0	0	-189	Movements in the market value of Investment Properties	1,759	0	0	-1,759
2,476	0	0	-2,476	Amortisation of intangible assets	2,614	0	0	-2,614
-38,455	0	0	38,455	Capital grants and contributions applied	-16,442	0	0	16,442
9,973	0	-3,189	-6,784	Revenue expenditure funded from capital under statute (REFCUS)	8,854	0	-3,111	-5,743
13,151	0	0	-13,151	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	13,003	0	0	-13,003
-900	0	0	900	Donated Assets	-329	0	0	329
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	0	0	0	0
-32,045	0	0	32,045	Statutory provision for the financing of capital investment	-32,162	0	0	32,162
-10,209	0	0	10,209	Capital expenditure charged against the General Fund	-6,706	0	0	6,706
				Adjustments primarily involving the Capital Grants Unapplied Account:				
-22,631	0	22,631	0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-20,006	0	20,006	0
0	0	-25,800	25,800	Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-19,316	19,316
				Adjustments primarily involving the Capital Receipts Reserve				
-5,267	5,267	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-8,191	8,191	0	0
0	-4,391	0	4,391	Use of the Capital Receipts Reserve to finance new capital expenditure	0	-5,119	0	5,119
11	-11	0		Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	7	-7	0	0
				Adjustments primarily involving the Deferred Capital Receipts Reserve:	0	0	0	0
0	23	0	-23	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	13	0	-13
				Adjustments primarily involving the Financial Instruments Adjustment Account:				
-284	0	0	284	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-286	0	0	286
				Adjustments primarily involving the Pensions Reserve:				
76,690	0	0	-76,690	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	78,978	0	0	-78,978
-44,918	0	0	44,918	Employer's pensions contributions and direct payments to pensioners payable in the year:	-43,989	0	0	43,989
				Adjustments primarily involving the Collection Fund Adjustment Account:				
882	0	0	-882	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements.	3,965	0	0	-3,965
				Adjustment primarily involving the Accumulated Absences Account:				
1,149	0	0	-1,149	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	-1,215	0	0	1,215
31,693	888	-6,358	-26,223	**Total Adjustments between accounting basis & funding basis under regulations**	68,968	3,078	-2,421	-69,625

Note 5. Transfers to/from Earmarked Reserves

	Balance at 31 March 2014 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2015 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2016 £000
General Fund Reserve	10,803	0	0	10,803	0	0	10,803
Schools Delegated Balances	40,511	-4,000	1,845	38,356	-4,553	0	33,803
A. Total General Fund Balance	**51,314**	**-4,000**	**1,845**	**49,159**	**-4,553**	**0**	**44,606**
Unallocated reserves available to support future budget decisions	**30,964**	**-668**	**3,370**	**33,666**	**-14,807**	**1,060**	**19,919**
Earmarked Reserves							
Managed Severance	4,093	0	0	4,093	0	0	4,093
Transitional and Risk	0	0	5,300	5,300	-1,456	3,905	7,749
Exempt VAT	2,000	0	0	2,000	0	0	2,000
Former grant allocations	768	0	0	768	-25	0	743
PFI - Contracts	4,627	0	0	4,627	-3,822	0	805
Capital Feasibility	273	0	0	273	-203	0	70
Carbon Intervention	1,842	-1,081	0	761	-761	0	0
Transformation Programme	193	-249	181	125		0	125
Employment Opportunities Fund	3,720	-1,293	0	2,427	-1,402	0	1,025
Waste Collection & Disposal Options	4,433	0	0	4,433	-404	0	4,029
Trade Waste VAT Refund	0	0	583	583	-120	0	463
Insurance	1,321	-151	605	1,775	0	0	1,775
Industrial Centres of Excellence	32	-31	0	1	0	0	1
Sports Strategy	137	0	118	255	-90	0	165
Regional Growth Fund	7,000	0	0	7,000	-656	0	6,344
Better Use of Budgets	6,985	-6,985	7,274	7,274	-7,273	2,756	2,757
Regional Revolving Investment Fund	3,956	0	0	3,956	0	0	3,956
Discretionary Social Fund	868	0	980	1,848	0	0	1,848
Single Status	128	-130	25	23	0	0	23
Health Integration	222	0	0	222	0	0	222
Match Fund Basic Needs Grant	0	0	0	0	0	700	700
	42,598	**-9,920**	**15,066**	**47,744**	**-16,212**	**7,361**	**38,893**
Reserves for capital investment							
Markets	1,220	0	15	1,235	-4	0	1,231
Renewal and Replacement	12,958	-310	0	12,648	-731	0	11,917
	14,178	**-310**	**15**	**13,883**	**-735**	**0**	**13,148**
Service Earmarked Reserves							
PFI - BSF Unitary Charge	10,185	-400	629	10,414	-250	498	10,662
National Asylum Support Service (redesignated Clergy House)	674	-674	0	0	0	0	0
Supporting People	2,065	0	0	2,065	0	0	2,065
Integrated Health and Social Care	4,618	-3,418	6,576	7,776	-2,643	214	5,347
Community Support and Innovation Fund	600	-120	0	480	-76	0	404
Other	7,807	-3,240	5,317	9,884	-2,292	16,759	24,351
	25,949	**-7,852**	**12,522**	**30,619**	**-5,261**	**17,471**	**42,829**
Revenue Grant Reserves	12,209	-9,544	6,416	9,081	-5,063	4,371	8,389
B Total Earmarked Reserves	**125,898**	**-28,294**	**37,389**	**134,993**	**-42,078**	**30,263**	**123,178**
C Capital Grants Unapplied	38,435	-21,302	14,944	32,077	-22,427	20,006	**29,656**
D Capital Receipts Reserve	883	-4,403	5,290	1,770	-5,119	8,197	**4,848**
E Total Other Usable Reserves	**39,318**	**-25,705**	**20,234**	**33,847**	**-27,546**	**28,203**	**34,504**
Total Usable Reserves	**216,530**	**-57,999**	**59,468**	**217,999**	**-74,177**	**58,466**	**202,288**

Earmarked Reserves are amounts set aside to meet the cost of future commitments, political priorities and specific financial risks. Capital Grants and Capital Receipts unapplied also represent real cash balances but these can only be used to fund capital expenditure.

a) General Fund Balance (£44.6m)

A net £44.6m balance has been carried forward to 2015-16 (£49.2m at 31 March 2015). This includes £33.8m carried forward for schools under delegated budgets.

All authorities are expected to maintain a prudent balance for unforeseen events and to assist cash flow management at a prudent level. The Council has assessed this level to be £10.8m.

b) Earmarked Reserves (£123.2m)

In light of the ongoing reductions in Government funding since 2010, the Council has consistently applied its Reserves Policy to either fund one off priority investment or transitional activity whilst seeking to reduce its recurrent cost base. A policy which to date has served the Council well.

At 31 March 2016 the Council has available £19.9m of unallocated corporate reserves. This is in line with the financial planning that underpinned the 2016-17 Budget decision to use immediately £11.4m of unallocated reserves to support the 2016-17 Budget.

In 2015-16 the level of earmarked reserves decreased by a net £11.8m from £135.0m at 31 March 2015 to £123.2m at 31 March 2016. The significant in year transfers into reserves are listed below:

- £0.8m net underspend in 2015-16 transferred into an unallocated reserve earmarked for support of future annual revenue budgets.
- £2.8m of requests from Services to carry forward 2015-16 budget to complete projects in 2016-17.
- £3.9m added to the Transitional and Risk Reserve to fund specific time limited activity as approved in the 2015-16 Budget and to hedge against any delays in implementing the 2016-17 saving proposals.
- £0.25m added to the BSF Phase 1 and 2 Service earmarked to ensure that when unitary payments exceed the PFI grant, the Council has sufficient resources to meet the costs.
- £4.4m of unspent specific grant allocations which will be spent in 2016-17 in accordance with the original purpose of the grant.

The transfers into reserves have been offset by transfers back to the general fund to meet priority investment of £42m. This includes commitments carried forward from 2014-15 of £7.3m and the application of £5.1m of grant monies received in previous years and £14.8m to fund budget decisions.

The planned use of unallocated Corporate Reserves to support future Budgets is estimated to leave a residual general reserve balance of just over £10.8m at 31 March 2017. A balance which continues to be potentially inadequate in the context of the difficult outlook for public finances.

c) Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve represents usable capital grants available to fund capital expenditure. Capital Grants are included in this reserve, rather than shown as Capital Grants Receipted in Advance when all the grant conditions have been met. Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account.

d) Capital Receipts Reserve

When capital receipts are used either to repay debt or to fund capital investment, they are transferred from the Capital Receipts Unapplied Reserve to the Capital Adjustment Account.

Authorities are required to pay 75% of their housing capital receipts into a national pool. The Council was required to pay £6,701 to the pool in 2015-16 (£10,607 in 2014-15). The Council is required to make a corresponding transfer to the Capital Receipts Reserve to offset the contribution to the pool. This transfer is shown in the Statement of Movement on the General Fund Balance. The usable balance of housing receipts and all other capital receipts are held in the Capital Receipts Reserve until applied either to finance capital expenditure or to repay debt.

2014-15	**Capital Receipts Reserve**	**2015-16**
£000		**£000**
883	**Balance at 1 April**	**1,770**
	Usable receipts in the year	
5,267	Disposal of assets	8,191
22	Other capital receipts	13
-11	Appropriation to (–) from Revenue Account re pooled housing receipts	-7
-4,391	Used to finance capital spending	-5,119
0	Used for debt repayment	0
1,770	**Balance at 31 March**	**4,848**

Whilst most capital receipts arise from the disposal of assets, other capital receipts may arise, mainly where the Council has given a loan or other assistance for capital purposes.

Note 6. Material Items of Income and Expense

There were no exceptional items in 2015-16 or 2014-2015.

Note 7. Post Balance Sheet Events

Since 1 April, thirteen schools have agreed to transfer to Academy status. Of these two were already excluded from the balance sheet due to being Voluntary Aided and Trust schools. The other eleven schools, with an estimated value of £50.5m at 31 March 2016, will be removed from the 2016-17 Balance Sheet when a 125 year peppercorn lease is completed. Also a 125 year lease has been completed for University Academy Keighley representing a disposal for nil consideration of assets with an estimated value of £14.4m at 31 March 2016.

Note 8. Analysis of the Comprehensive Income and Expenditure

The following tables provide a further analysis of the individual lines that appear on the face of the Comprehensive Income and Expenditure Statement:

a) Other Operating expenditure

2014-15	Other Operating expenditure	2015-16
£000		£000
1,204	Parish Council Precepts	1,265
11	Payments to the Government Housing Capital Receipts Pool	7
7,879	Losses on the disposal of non-current assets	5,242
9,094	**Total**	**6,514**

b) Financing and Investment Income and Expenditure

2014-15	Financing and Investment Income and Expenditure	2015-16
£000		£000
45,988	Interest payable and similar charges (see table b2 below)	39,043
25,255	Net Interest on the Pension net defined benefit liability/(asset)	22,626
-1,135	Interest receivable and other income	-683
-1,795	Income and expenditure in relation to investment properties and changes in their fair value	-216
-680	Other investment income	-698
1,577	Net Deficit on Trading Accounts	2,573
69,210	**Total**	**62,645**

b2) External interest costs are paid by the Council on loans raised to finance capital expenditure.

2014-15	Interest Payable and Similar Charges	2015-16
£000		£000
	External interest charges	
24,852	Public Works Loans Board	18,239
19,097	Interest on PFI and finance lease rentals	18,753
1,779	Lender Option Borrower Option (LOBO's)	1,786
238	Transferred debt	258
22	Interest on short term borrowing	7
45,988	**Total**	**39,043**

c) Taxation and Non- Specific Grant Income

2014-15	Taxation and Non-Specific Grant Income	2015-16
£000		£000
-147,437	Council Tax income	-153,968
-63,697	Non domestic rates	-64,149
-219,272	Non-ringfenced government grants (see below)	-181,985
-61,087	Capital grants and contributions	-36,449
-900	Donated Assets Funding	-329
-492,393	**Total**	**-436,880**

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Income and Expenditure Account. In 2015-16 the Council received the following:

c2) Government Grants

2014-15	Government grants (not attributable to specific services)	2015-16
£000		£000
-149,374	Revenue Support Grant	-107,390
-55,508	Top Up Grant	-56,568
-289	Local Services Support Grant	-165
-7,944	New Homes Bonus Grant	-9,644
-6,157	Section 31 Grant, mainly relating to Business Rates	-8,218
-219,272	**Total**	**-181,985**

Note 9. Property, Plant and Equipment: Movements on Balances in 2015-16

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2015	**7,081**	**872,155**	**45,066**	**293,273**	**39,996**	**25,154**	**24,645**	**1,307,370**	**64,581**
Additions	398	26,545	4,054	17,304	85	4,939	6,666	59,991	0
Revaluation in the Rev. Reserve	0	-14,329	0	0	-74	-411	0	-14,814	0
Revaluation. in Surplus/Deficit on the Provision of Services	-3,181	-67,975	0	0	-425	-2,414	0	-73,995	0
Derecognition – disposals	0	-10,093	-1,349	0	0	-676	0	-12,118	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/ from Held for Sale	0	-324	0	0	0	-585	-1,895	-2,804	0
Reclassifications	8,090	29,093	292	-169	9	-13,315	-23,625	375	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2016	**12,388**	**835,072**	**48,063**	**310,408**	**39,591**	**12,692**	**5,791**	**1,264,005**	**64,581**
At 1 April 2015	**-270**	**-82,137**	**-18,375**	**-93,300**	**-1**	**-985**	**0**	**-195,068**	**-3,642**
Depreciation charge	-118	-22,483	-7,839	-9,761	0	-241	0	-40,442	-1,218
Depreciation w/o Revalua tion Reserve	0	5,993	0	0	0	30	0	6,023	0
Depreciation w/o to the Surplus/Deficit on the Provision of Services	0	24,342	0	0	0	944	0	25,286	0
Impairment losses/ (reversals) in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment in Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – disposals	0	2,946	1,094	0	0	14	0	4,054	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Reclassifications – Other	0	84	-51	51	0	1	0	85	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0	0
At 31 March 2016	**-388**	**-71,255**	**-25,171**	**-103,010**	**-1**	**-237**	**0**	**-200,062**	**-4,860**
At 31 March 2015 – Net Book Value	**6,811**	**790,018**	**26,691**	**199,973**	**39,995**	**24,169**	**24,645**	**1,112,302**	**60,939**
At 31 March 2016 – Net Book Value	**12,000**	**763,817**	**22,892**	**207,398**	**39,590**	**12,455**	**5,791**	**1,063,943**	**59,271**

Comparative Movements in 2014-15

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2014	**7,023**	**875,907**	**81,178**	**274,660**	**40,646**	**26,143**	**8,687**	**1,314,244**	**64,581**
Additions	58	35,874	10,425	18,613	12	4,253	25,567	94,802	0
Revaluation in the Rev. Reserve	0	4,609	0	0	166	-126	0	4,649	0
Revaluation. in Surplus/Deficit on the Provision of Services	0	-53,819	0	0	-15	-1,984	0	-55,818	0
Derecognition – disposals	0	-8,005	-815	0	-786	-321	0	-9,927	0
Derecognition – other	0		-45,727	0	0	0	0	-45,727	0
Assets reclassified (to)/ from Held for Sale	0	-2,628	0	0	0	-1,161	-1,322	-5,111	0
Reclassifications	0	20,217	5	0	-27	-1,650	-8,287	10,258	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2015	**7,081**	**872,155**	**45,066**	**293,273**	**39,996**	**25,154**	**24,645**	**1,307,370**	**64,581**
Accumulated Depreciation & Impairment									
At 1 April 2014	**-153**	**-79,059**	**-57,559**	**-84,160**	**-1**	**-741**	**0**	**-221,673**	**-2,429**
Depreciation charge	-117	-22,330	-7,245	-9,140	0	-341	0	-39,173	-1,213
Depreciation w/o Revalua tion Reserve	0	5,338	0	0	0	17	0	5,355	0
Depreciation w/o to the Surplus/Deficit on the Provision of Services	0	13,090	0	0	0	19	0	13,109	0
Impairment losses/ (reversals) in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment in Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – disposals	0	642	702	0	0	2	0	1,346	0
Derecognition – other	0	0	45,727	0	0	0	0	45,727	0
Reclassifications – Other	0	182	0	0	0	59	0	241	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0	0
At 31 March 2015	**-270**	**-82,137**	**-18,375**	**-93,300**	**-1**	**-985**	**0**	**-195,068**	**-3,642**
At 31 March 2014 – Net Book Value	**6,870**	**796,848**	**23,619**	**190,500**	**40,645**	**25,402**	**8,687**	**1,092,571**	**62,152**
At 31 March 2015 – Net Book Value	**6,811**	**790,018**	**26,691**	**199,973**	**39,995**	**24,169**	**24,645**	**1,112,302**	**60,939**

Note 10. Valuations

Operational and non-operational assets have been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Asset Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Not all properties were inspected as this was not considered necessary for the purposes of the valuation. Revaluations are planned through a five year rolling programme and have been listed in the table below in the year they were revalued.

The Council constructed a number of dwellings for rent, which are managed by a housing association on its behalf. The Council does not have to establish a Housing Revenue Account (HRA) as it has received legal opinion that it is not required for such a small number of properties.

Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	0	187	22,892	838	207,398	20,440	5,791	257,546
Valued at Fair Value in:								
2011/12	2,654	68,664		39		50		71,407
2012/13	4,437	62,709		262		14,994		82,402
2013/14	0	181,665		44		3,035		184,744
2014/15	0	220,977		107		638		221,722
2015/16	4,909	229,615		11,165		433		246,122
Total	**12,000**	**763,817**	**22,892**	**12,455**	**207,398**	**39,590**	**5,791**	**1,063,943**

Fair value measurement of surplus assets

Following the 2015-16 implementation of IFRS 13, Fair Value Measurement, the Council's surplus assets have been revalued to fair value as at 31 March 2016. All surplus assets above a de-minimis value of £10k have been revalued in 2015-16.

Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.

There were no transfers between levels during the year.

Note 11. Capital Commitments and Obligations Under long Term Contracts

a) Capital Commitments

The Council has an approved capital investment plan for the period 2015-16. At 31 March 2016 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016-17 and future years budgeted to cost £2.460m. Similar commitments at 31 March 2015 were £4.602m. The major commitments (over £0.250m) are:

Capital Commitments	**2014-15**	**2015-16**
	£000	**£000**
Primary Capital Programme	1,655	0
Primary Schools Expansion Programme	1,339	514
Outdoor Centres	0	254
New Affordable Housing – Valley Drive, Ilkley and Canary Drive	628	0
Jermyn Court	0	1,692
Clergy House	686	0
Tyrls (Old Police Station)	294	0
Total	**4,602**	**2,460**

b) Obligations Under Long-Term Contracts

Bradford-I

Bradford-I was a 10 year contract, which started in September 2005, with IBM UK Ltd, and SERCO (which is a subcontractor for the provision of ICT services). The contract provided a modernised ICT platform, together with a large number of software systems. The last day of the contract was 4 September 2015. There was no long term obligation at 31 March 2016.

Building Schools for the Future (BSF)

In December 2006 the Council entered into a 10 year Local Education Partnership (LEP) with Integrated Bradford LEP Ltd. Under the agreement the LEP enjoys exclusivity in the provision of capital works to the Council's secondary school campuses for ten years.

Phase 1 of the programme comprised the building of three new schools together with the provision of facilities management and maintenance for the next 25 years under a Private Finance Initiative contract. The schools opened in August 2008 and the total cost of the service over 25 years (including utilities £9m) is £322m. The Council has secured funding support from the former Department for Children, Schools and Families (DCSF), now the Department for Education (DfE), which totals £225m (including utilities) over the contract period.

Allied to the PFI contract the Council has entered into a 5 year ICT contract with the LEP. The cost of this contract is £10.2m including recent additions to its scope of which £6.9m has been secured in support from the former DCSF.

The contract for Phase 2 of the local BSF Programme was finalised in September 2009 for £457m. In addition to works delivered under the PFI remit to four mainstream and three co-located Special Needs Secondary Schools, Phase 2 incorporates works to one mainstream and three SEN Primary Schools delivered under design and build contracts which are predominately funded from the Council's own resources. £236m of support is being provided by the former DCSF over 25 years in the form of PFI credits. Also a £10m grant has been provided for ICT costs.

Allied to the building related contracts the Council has entered into a 5 Year ICT Contract with the LEP at the respective Phase 2 schools.

Note 12. Heritage Assets

Tangible Heritage Assets

	Museum collection £000	Civic regalia £000	Statues & Monuments £000	Total Assets £000
Cost or valuation				
1 April 2014	30,259	1,732	86	32,077
Additions	900	0	2	902
Revaluation increases / (decreases) recognised in the revaluation reserve	2,861	0	0	2,861
31 March 2015	**34,020**	**1,732**	**88**	**35,840**
Cost or valuation				
1 April 2015	34,020	1,732	88	35,840
Additions	329	0	4	333
Revaluation increases / (decreases) recognised in the revaluation reserve	88	0	0	88
31 March 2016	**34,437**	**1,732**	**92**	**36,261**

The Council held £36.261m heritage assets on its Balance Sheet as at 31 March 2016.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The Council acquires heritage assets in accordance with established Council Policies, i.e. the Acquisitions & Disposals Policy, Bradford Museums & Galleries. The policy of the Council is to manage and preserve its heritage assets and has no plans to dispose of them. Heritage assets are largely held in museums, managed by the Council, where there is public access. Other heritage assets are held for annual usage, such as the Lord Mayor's chain or items on display at City Hall.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation in the financial statements in relation to these heritage assets.

Museum Collection – items on the Balance Sheet

The collection includes a wide range of material that collectively contributes to national / district knowledge and culture through their archaeological, historic, artistic, scientific, technological, geophysical and environmental qualities. These items are held at four main museums and two external stores within the District. More information on the collections can be found on the Council's website at http://www.bradfordmuseums.org

The council owns approximately 691,000 items within the museum collections. It is not considered practical to individually value this entire collection, and so only those items which are considered to have a significant value are individually valued and recorded in the balance sheet at their current valuation.

In 2012-13 there was a review of the major pieces of the Fine Art Collection held at Cartwright Hall by external valuers Christies. For those items reviewed by Christies they have been included on the Balance Sheet based on auction values (lower range). In 2014-15 18 additional paintings were reviewed by external valuers which resulted in a revaluation increase of £381,000. In addition another item in the collection was considered by Auctioneers and a new valuation was provided for this, meaning a revaluation increase of £2,480,000.

During 2015-16 13 paintings have been reviewed by Christies and this has resulted in a revaluation increase of £88,000.

In addition to external valuations the collection is considered for insurance values and two items are included on the Balance Sheet at insurance values which is based on values estimated by museum staff. The insurance values are considered annually.

Those items that are on temporary loan to the museum service have not been included in the Council's Balance Sheet as they are not the Council's assets.

Museum exhibits and works of art – overall collections

As explained in note above, only those items which have a significant individual value are included in the balance sheet. The current insurance valuation of the lesser valued items have been given a collective value of £46m. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The Council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

Civic Regalia

The Council's external valuer for its Civic Regalia (Sydneys Ltd) carried out a full valuation of the collection as at June 2010. The valuations are based on commercial markets. The valuations are updated approximately every ten years with the previous one completed in April 2001. The Council's Civic Regalia is held in City Hall.

Statues and external works of art

The Council has £0.92m of Statues and Monuments. This relates to a new war memorial that was constructed in 2013-14 and the value in the accounts is at historic cost.

Other Heritage Assets

There are also potential heritage assets not included on the balance sheet and these include:

- Scheduled ancient monuments and regionally important geological sites – carved rocks and caves.
- Library archives - maps, photographs, newspapers & electoral rolls.
- Fossil Tree stumps.
- Statues and memorials across the District.

For the majority of the statues, neither cost nor valuation information can be provided and therefore reported in the Balance Sheet. This relates to over 60 statues and memorials that are located across the District.

The Council also has a number of scheduled ancient monuments located on assets that it owns. In addition there are records within the Library archives that are being held for historical reference. These assets cannot be valued because of the diverse nature of the assets and therefore cost or valuation information is not available as conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Also, some heritage assets have been classified as operational heritage assets when they are in use, for instance a building which is used for office accommodation or to house a museum collection. In these cases, the asset is classified according to its type, in this case as land and buildings within the Property Plant and Equipment balance.

No significant heritage assets were disposed of in 2015-16 or 2014-15.

Additions of Heritage Assets

There have been no significant purchases to heritage assets in 2015-16 but there have been some additions to the museum collections in the last two years. Individually these have not been thought significant so there is no separate valuation included in the Balance Sheet for purchased items. In 2015-16, there was a donation worth £329,000 and this has been included based on Insurance value. The Council has also received another donation during the year but further work is required to identify an appropriate value for these items before they are included on the Balance Sheet.

Note 13. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. For example, the net gain of £1.546m (see below Analysis of Rental Income and Management Costs of Investments), less the decrease of £1.759m on fair value (see below reconciliation of

Movements on Investments), plus the gain on disposal of £0.429m comprise the £0.216m charge for investment properties in Note 8(b), Financing and Investment Income and Expenditure, page 43.

2014-15 £000		2015-16 £000
-2,469	Rental income from investment property	-2,302
-152	Other income (service and other charges)	-58
	Direct operating expenses:	
156	Repairs & maintenance	275
477	Management expenses	539
-1,988	**Net (gain)**	**-1,546**

The movement in the fair value of investment properties over the year is summarised as:

2014-15 £000	Reconciliation of Movements on Investments	2015-16 £000
58,556	**Balance at 1 April**	**47,917**
0	Additions	0
-192	Disposals	-48
-189	Net gains/losses(-) from fair value adjustments	-1,759
	Transfers	
-10,258	To/from Property, Plant and Equipment	-376
47,917	**Balance at 31 March**	**45,734**

Investment Property has been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Asset Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Properties are not depreciated, the fair value of the Council's investment property is considered annually at each reporting date.

Fair value

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels).

In accordance with IFRS 13, investment properties have been valued at highest and best value. Investment properties comprise industrial, retail, residential and office units; development and grazing land. Investment assets have been valued on a desktop basis using the Investment Method of Valuation relying on data held on the council's property database and case files and the knowledge of Estate Management staff.The main considerations in valuing investment properties are rental yields and sale values; size, location, configuration and access; condition and covenants. All investment property valuations are based on such observable inputs.

There were no transfers between levels during the year.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and best use of investment properties

In most cases the current use of assets has been considered to be the highest and best use of the properties. The exception to this is land suitable for development which is currently put to a lower value use. In such cases, the use for which the property could be developed has been regarded as the highest and best use of the asset.

Note 14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular Information Technology (IT) system and accounted for as part of the hardware item within Property, Plant and Equipment. The intangible assets include only purchased licences and do not include any internally generated software. The Council does not have any intangible assets apart from software.

All software is given a useful life, based on the assessments of the period that the software is expected to be of use to the Council. All of the Council's software has an estimated useful life of 10 years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £2.614m charged to revenue in 2015-16 (£2.476m in 2014-15) was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2014-15 £000	2015-16 £000
Balance at 1 April each year		
• Gross carrying amounts	18,889	19,376
• Accumulated amortisation	-13,162	-15,638
Net carrying amount at start of year	**5,727**	**3,738**
Additions :		
• Purchases	487	336
Amortisation for the period	-2,476	-2,614
Net carrying amount at end of year	**3,738**	**1,460**
Comprising :		
• Gross carrying amounts	19,376	19,712
• Accumulated amortisation	-15,638	-18,252

The intangible assets figures largely comprise the software required to run the Council's computer system. The Council has not been able to revalue this software due to its specialist nature as it has been specifically configured for the Council and is not easily comparable with any other system. However, the life of the system used for amortisation is estimated to be conservative, and the actual life should exceed the estimated life for accounting purposes.

Note 15. Construction Contracts

The Council did not enter into any construction contracts in 2015-16 or 2014-15.

Note 16. Long Term Investment

The Council's long term investment at 31 March 2016 is made up of £1,000 in Integrated Bradford LEP Ltd (31 March 2015 £1,000).

Integrated Bradford LEP Ltd – Company no. 5797774

In December 2006, the Council took a £1,000, (10%) interest in the Local Education Partnership, Integrated Bradford LEP Limited. The remaining equity is held by Partnership for Schools (PfS) 10%, and 80% by private sector partners Costain and Ferrovial Agroman (UK) Ltd (formerly Amey). The company has been set up to deliver the capital investment programme in Bradford secondary schools funded through the government initiative Building Schools for the Future.

Note 17. Long Term Debtors

These represent the value of long term advances granted by the Council. The amount owed by other local authorities at 31 March 2016 of £0.282m is in respect of transferred debt for Probation Service owed by other West Yorkshire authorities.

The balance owing on sale of assets on finance leases of £0.223m represents the principal element of the leases.

31 March 2015 £000	Analysis of Long Term Debtors	31 March 2016 £000
25	Former Council house tenants	14
307	Other local authorities re joint services	282
678	Car loans	454
280	Building Schools for the Future Ltd	275
167	Loans to organisations	146
5	Housing Advances	5
221	Balance owing on sale of assets on finance lease(s)	223
34	Other	34
1,717	**Total**	**1,433**

Note 18. Current Assets and Current Liabilities

31 March 2015 £000	Inventories	31 March 2016 £000
73	Trading services	0
2,167	Other	2,237
2,240	**Total**	**2,237**

Short term Debtors and Payments In Advance

General payments in advance have been shown separately since they are of significant value.

31 March 2015 £000	Analysis of Debtors and Payments in Advance	31 March 2016 £000
	Amounts falling due within one year	
14,801	Central Government bodies	19,497
2,331	Other local authorities	3,919
15,429	NHS bodies	4,814
680	Public corporations and trading funds	725
66,617	Other entities and individuals	68,323
9,232	General payments in advance	6,458
109,090	**Total**	**103,736**
	Less provision for bad and doubtful debts	
13,180	Collection Fund	14,870
11,647	Other	11,796
84,263	**Net Total**	**77,070**

The net debtors have changed from a total of £84.263m at 31 March 2015 to £77.070m at 31 March 2016, a decrease of £7.193m.

Short Term Investments

The Council has short term investments of £7.238m; see Balance Sheet (£53.7m 2014-15). This is invested with banks and building societies.

Cash and Cash Equivalents

At any point in time the cash flow of the Council can result in temporary cash balances which are put into short-term investments. At the 31 March 2016, £74.038m was invested in short term deposits, banks and building societies (£99.336m at 31 March 2015).

31 March 2015 £000		31 March 2016 £000
707	Cash held by the Council	709
72,512	Bank accounts	62,724
26,117	Short term deposits with building societies and banks	10,605
99,336	**Total Cash and Cash Equivalents** (see Balance Sheet page 21)	**74,038**
-4,379	Cash and Cash Equivalents Overdrawn (see Balance sheet page 21)	-3,523
94,957	**Total net Cash and Cash Equivalents** (see Cashflow statement page 22)	**70,515**

The Council also has short term borrowings of £29.486m (£59.419m 2014-15).

Creditors and Receipts in Advance

31 March 2015 £000	Analysis of Creditors and Receipts in Advance	31 March 2016 £000
	Amounts falling due within one year	
19,104	Central Government bodies	11,791
610	Other local authorities	1,307
4,796	NHS bodies	2,083
174	Public corporations and trading funds	166
62,948	Other entities and individuals	58,114
87,632	**Total**	**73,461**
	Receipts in advance	
10,814	Sundry	11,644
5,415	Developer’s contributions	5,927
16,229	**Total**	**17,571**
103,861	**Total Creditors and Receipts in Advance**	**91,032**

Note 19. Assets held for sale

Current Assets held for sale

	2014-15	2015-16
	£000	**£000**
Balance outstanding at start of year	**2,277**	**2,770**
Additions	0	54
Assets newly classified as held for sale:		
- Property, Plant and Equipment	4,873	3,470
Assets declassified:		
- Property, Plant and Equipment	-3	-751
Assets sold	-4,377	-4,891
Balance outstanding at year end	**2,770**	**652**

Note 20. Provisions

The provisions totals of £22.726m at 31 March 2016 and £21.041m at 31 March 2015 are separated on the Balance Sheet into current and long term provisions. The current provisions are those expecting to be used in the next financial year, £9.383m at 31 March 2016 (£10.623m at 31 March 2015). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £13.343m at 31 March 2016 (£10.418m at 31 March 2015).

	Termination	Personal Search fees	MMI Scheme of Arrangement	Carbon Reduction Commitment	Outstanding legal cases	Injury and Damage Compensation Claims	Equal Pay Provisions	Aftercare Services	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 31 March 2014	**6,537**	**539**	**0**	**841**	**3,436**	**5,778**	**575**	**101**	**6,043**	**23,850**
Additional provisions made in 2014-15	2,808	0	0	0	2,352	4,156	12	0	4,378	13,706
Amounts used in 2014-15	-4,768	-7	0	-841	-1,960	-2,026	-144	0	-2,895	-12,641
Unused amounts reversed in 2014-15	0	-373	0	0	-618	-2,757	-25	-101	0	-3,874
Balance at 31 March 2015	**4,577**	**159**	**0**	**0**	**3,210**	**5,151**	**418**	**0**	**7,526**	**21,041**
Additional provisions made in 2015-16	6,796	169	322	0	3,548	2,561	0	0	3,388	16,784
Amounts used in 2015-16	-2,998	-127	0	0	-2,187	-1,686	0	0	-4,917	-11,915
Unused amounts reversed in 2015-16	0	0	0	0	-636	-2,130	-418	0	0	-3,184
Balance at 31 March 2016	**8,375**	**201**	**322**	**0**	**3,935**	**3,896**	**0**	**0**	**5,997**	**22,726**

Short-Term	3,109	201	322	0	1,712	1,694	0	0	2,345	9,383
Long-Term	5,266	0	0	0	2,223	2,202	0	0	3,652	13,343
Balance at 31 March 2016	**8,375**	**201**	**322**	**0**	**3,935**	**3,896**	**0**	**0**	**5,997**	**22,726**

Termination (£8.375m) – for planned future termination costs arising from the detailed saving proposals approved as part of the 2015-16 Budget by Council in February 2015.

Property Search fees (£0.201m) – Whilst Personal Search companies have claimed for refunds from the Council, given that the Council's and other authorities charging policies were based on a statutory fee, the Council is reclaiming any repayment from the government in due course.

Carbon Reduction Commitment (£0m) – The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. However, starting in 2014-15, the payment for the scheme was made in year, so no provision was required at the end of 2015-16.

Insurance provisions (£3.935m and £3.896m) – These provisions bear the risk of day to day losses as an alternative to providing insurance cover through external insurance companies. Losses over £120,000 are externally insured. The main areas provided for are:

31 March 2015 £000	**Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)**	**31 March 2016 £000**
170	Property	264
7,636	Other Liability claims	6,879
555	Motor	688
8,361	**Total**	**7,831**

Equal Pay Provision (£0m) - Implementation of the 1997 Single Status Agreement between local authority employers and unions involves the review, job evaluation and harmonisation of former officer and former manual worker terms and conditions. It will lead to compensation claims under equal pay legislation (claims can cover a period of up to six years).

Aftercare services provision (£0m) – A provision of £0.101m was added in 2012-13 for Aftercare services, which is no longer required.

Business Rates Appeals (£5.997m) – The provision reflects the estimate of the amount of Business Rates to be repaid to ratepayers, following any future successful appeals against rateable values.

Note 21. Unusable Reserves

2014-15		2015-16
£000		**£000**
184,911	(a) Revaluation Reserve	168,345
339,002	(b) Capital Adjustment Account	314,665
-6,099	(c) Financial Instruments Adjustment Account	-5,813
-733,599	(d) Pensions reserve	-700,142
283	(e) Deferred capital receipts reserve	271
-5,094	(f) Collection Fund Adjustment Account	-9,059
-13,924	(g) Accumulated Absences Account	-12,709
-234,520	**Total Unusable Reserves**	**-244,442**

a) Revaluation Reserve

The Revaluation Reserve is a store of changes to the measurable value of assets compared to the cost of acquiring them. In 2015-16, the Reserve has decreased from £184.911m to £168.345m, a decrease of £16.566m.

2014-15		2015-16
£000		**£000**
177,945	**Balance at 1 April**	**184,911**
22,203	Upward revaluation of assets	11,162
-9,338	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-19,905
0	Impairments not charged to the Surplus or deficit on the Provision of Services	0
12,865	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**-8,743**
-4,191	Difference between fair value depreciation and historical cost depreciation	-4,191
-1,708	Accumulated gains on assets sold or scrapped	-3,632
-5,899	**Amount written off to the Capital Adjustment Account**	**-7,823**
184,911	**Balance at 31 March**	**168,345**

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

2014-15		2015-16
£000		**£000**
325,782	**Balance at 1 April**	**339,002**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
-39,173	- Charges for depreciation and impairment of non-current assets	-40,442
-42,708	- Revaluation losses on Property, Plant and Equipment	-48,672
-2,476	- Amortisation of Intangible Assets	-2,614
-6,784	- Revenue expenditure funded from capital under statute (REFCUS)	-5,743
-13,151	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-13,003
5,899	Adjusting amounts written out of the Revaluation Reserve	7,823
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
4,393	- Use of the Capital Receipts Reserve to finance new capital expenditure	5,119
38,455	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	13,929
25,800	- Application of grants to capital financing from the Capital Grants Unapplied Account	19,316
0	- Allocation of grants to capital financing from the Capital Grants Receipts in Advance Account	2,512
900	- Donated assets and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	329
32,045	- Statutory provision for the financing of capital investment charged against the General Fund	32,162
10,209	- Capital expenditure charged against the General Fund balance	6,706
-189	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-1,759
339,002	**Balance at 31 March**	**314,665**

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2014-15		2015-16
£000		**£000**
-6,383	**Balance at 1 April**	**-6,099**
268	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	269
16	Removal of Effective Interest Rate on stepped interest loans	17
284	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**286**
-6,099	**Balance at 31 March**	**-5,813**

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. See Note 30 for full explanation.

2014-15		2015-16
£000		**£000**
-612,686	**Balance at 1 April**	**-733,599**
-89,141	Remeasurement of net defined benefit liability	68,446
-76,690	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-78,978
44,918	Employer's pensions contributions and direct payments to pensioners payable in the year	43,989
-733,599	**Balance at 31 March**	**-700,142**

e) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2014-15		2015-16
£000		**£000**
306	**Balance at 1 April**	**283**
-23	Transfer to the Capital Receipts Reserve upon receipt of cash	-12
283	**Balance at 31 March**	**271**

f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2014-15		2015-16
£000		**£000**
-4,212	**Balance at 1 April**	**-5,094**
-882	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	-3,965
-5,094	**Balance at 31 March**	**-9,059**

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2014-15		2015-16
£000		**£000**
-12,775	**Balance at 1 April**	**-13,924**
12,775	Settlement or cancellation of the accrual made at the end of the preceding year	13,924
-13,924	Amounts accrued at the end of the current year	-12,709
-1,149	**Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements**.	**1,215**
-13,924	**Balance at 31 March**	**-12,709**

Note 22. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2014-15		2015-16
£000		**£000**
24,753	Net (surplus) or deficit on the provision of services (see d)	85,336
-182,531	Adjustments to surplus or deficit for non-cash movements (See d)	-178,358
66,354	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	44,640
-1,220	Interest Received	-507
46,945	Interest paid	36,730
-680	Dividends Received	-686
-46,379	**Net cash flows from operating activities**	**-12,845**

b) Investing Activities

The cash flows for investing activities include the following items:

2014-15		2015-16
£000		**£000**
94,831	Purchase of property, plant and equipment, investment property and intangible assets	61,812
174,901	Purchase of short term and long term investments	62,900
-5,289	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-8,191
-62,430	Capital grants	-38,022
-201,212	Proceeds from short term and long term investments	-109,200
801	**Net cash flows from investing activities**	**-30,701**

c) Financing Activities

The cash flows for financing activities include the following items:

2014-15		2015-16
£000		**£000**
-38,400	Cash receipts of short and long term borrowing	-30,600
-802	Other receipts from financing activities	
8,269	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	8,626
64,344	Repayments of short and long term borrowing	84,170
0	Other payments for financing activities	5,792
33,411	**Net cash flows from financing activities**	**67,988**

d) Reconciliation of the Surplus on the Provision of Services (See Comprehensive Income and Expenditure Account) to Operating Activities Net Cash Flow

2014-15	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow			2015-16
£000				**£000**
24,753	**Net deficit / surplus (-) for year on the Comprehensive Income and Expenditure Account (I & E)**	A		**85,336**
	Add back non cash I & E items:			
-84,546	Depreciation & impairment, revaluation gains and losses, market value movements, and amortisation	B		-93,485
0	Aborted cost on prior year capital expenditure	C		-196
-31,772	IAS19 Pension adjustments	D		-34,989
900	Donated Assets non-cash funding	E		329
	Items on accruals basis:			
19	Decrease (-) / Increase in stocks	F		-3
-10,015	Decrease (-) / increase in amounts due to Council (debtors)	G		-13,543
-580	Decrease / increase (-) in amounts due from Council (creditors)	H		12,537
-13,151	Carrying amount of disposals	I		-13,003
2,809	Movement provisions	J		-1,684
-1,150	Net movement on Employee Benefit accrual	K		1,216
-137,486	Removal of non-cash items included in Deficit/Surplus on Provision of services	L	B to K	*-142,821*
	Removal of interest received and paid already included in Surplus/Deficit so that this can be shown separately:			
-46,945	Interest paid	M		-36,730
1,220	Interest received	N		507
680	Dividends received	O		686
-45,045	Interest received and paid	P	M to O	*-35,537*
-182,531	**Adjustments to surplus or deficit for non-cash movements (Per Cash Flow Statement)**	Q	P + L	**-178,358**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
61,087	Capital Grants credited to surplus or deficit on the provision of services	R		36,449
5,267	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	S		8,191
66,354	**Sub-total items for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	T	R + S	**44,640**
45,045	**Interest and dividends received & paid shown separately (see above)**	U	- P	**35,537**
-46,379	**Operating activities - net cash flow**	V	A+Q+T+U	**-12,845**

Note 23. Amounts Reported for Resource Allocation

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice.* However, decisions about resource allocation are taken by the Council's Executive on the basis of financial monitoring and budget reports analysed across Council Services. These reports are prepared on a different basis from the accounting policies used in the financial statements as they focus on identifying the net expenditure on key services, and how that varies from the budget for those services.

Service Analysis

The income and expenditure of the Council's services reported in the Annual Finance and Performance Outturn Report for 2015-16 for 31 March 2016 is shown below.

Service Income and Expenditure 2015-16	**Children's Services £000**	**Environment & Sport £000**	**Public Health £000**	**Adults and Community £000**	**Regeneration & Culture £000**	**Revenues & Benefits £000**	**Central, Corporate & Non Service £000**	**Total £000**
Fees, charges & other service income	-37,223	-40,076	-2,132	-30,554	-47,270	-3,565	-7,490	-168,310
Government grants & contributions	-478,190	-2,000	-39,638	-24,565	-2,855	-179,048	-322	-726,618
Total Income	**-515,413**	**-42,076**	**-41,770**	**-55,119**	**-50,125**	**-182,613**	**-7,812**	**-894,928**
Employee Expenses	379,712	54,380	2,590	38,668	41,119	10,761	28,044	555,274
Other service expenses	206,332	42,206	39,304	143,158	48,128	176,352	19,281	674,761
Capital Charges	55,001	9,243	17	995	26,481	1,021	2,787	95,545
Total Expenditure	**641,045**	**105,829**	**41,911**	**182,821**	**115,728**	**188,134**	**50,112**	**1,325,580**
Net Expenditure	**125,632**	**63,753**	**141**	**127,702**	**65,603**	**5,521**	**42,300**	**430,652**

The income and expenditure of the Council's services reported in the Council's Financial Review Outturn Statement for 31 March 2015 is as follows:

Service Income and Expenditure 2014-15	**Children's Services £000**	**Environment & Sport £000**	**Public Health £000**	**Adults and Community £000**	**Regeneration & Culture £000**	**Revenue & Benefits £000**	**Central, Corporate & Non Service £000**	**Total £000**
Fees, charges & other service income	-39,315	-27,928	-934	-29,017	-60,624	-3,971	-8,848	-170,636
Government grants & contributions	-486,146	-1,636	-35,338	-19,613	-11,100	-185,483	-384	-739,701
Total Income	**-525,461**	**-29,564**	**-36,272**	**-48,630**	**-71,724**	**-189,454**	**-9,232**	**-910,337**
Employee Expenses	379,163	45,704	2,940	35,874	47,983	10,404	28,357	550,425
Other service expenses	204,948	32,328	33,221	141,829	68,164	179,968	27,523	687,981
Capital Charges	50,767	9,233	0	1,188	18,683	18	4,604	84,493
Total Expenditure	**634,878**	**87,265**	**36,161**	**178,891**	**134,830**	**190,390**	**60,484**	**1,322,899**
Net Expenditure	**109,417**	**57,701**	**-111**	**130,261**	**63,106**	**936**	**51,252**	**412,562**

Reconciliation of Service Income and Expenditure to Costs of Services in the Comprehensive Income and Expenditure Statement for 2015-16

The Net Cost of Services total of £430.652m is different to the Net Cost of Services of £453.057m included in the Comprehensive Income and Expenditure Statement in the Statement of Accounts. The differences, totalling £22.405m, are explained in the reconciliation statement below.

	2014-15 £000	2015-16 £000
Net expenditure included in Service Analysis	**412,562**	**430,652**
Adjustments to Reconcile to pre IFRS Income and Expenditure Account :		
West Yorkshire Combined Authority	23,854	23,916
One-off lump sum payment to WYPF shown in Outturn report under Central Budgets	0	0
Pension capitalisation costs	0	0
Writeback of excess provision for single status	-25	-400
Local Council Tax Support Grant paid to Parish Councils	161	161
Other	0	0
Amounts in the Comprehensive income and Expenditure Statement not reported to management in the analysis	**23,990**	**23,677**
Exclude grants included in services for budget reporting, but excluded from the Statement of Accounts as included under Taxation and Non-Specific Grant Income	289	158
Trading Services deficit	-1,577	-2,572
Investment recharge adjustments	-13	0
Investment Adjustments	212	-432
Interest Received	1,778	1,355
Exclude income and expenditure in relation to changes in fair value of investment properties	1,587	219
Other	14	0
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**2,290**	**-1,272**
Cost of Services in the Comprehensive income and Expenditure Statement	**438,842**	**453,057**

2015-16 Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services of £85.336m included in the Comprehensive Income and Expenditure Statement (CIES).

	Service Analysis (excluding support services)	Services & support not included in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-146,376	-20,578	0	21,184	20,582	-125,188	0	-125,188
Interest and investment income	-1,355	0	0	1,355	0	0	-1,381	-1,381
Council Tax income	0	0	0	0	0	0	-153,968	-153,968
Government grants & contributions	-726,503	-115	0	769	115	-725,734	-282,912	-1,008,646
Total Income	**-874,234**	**-20,693**	**0**	**23,308**	**20,697**	**-850,922**	**-438,261**	**-1,289,183**
Employee expenses in Surplus/Deficit	517,172	38,102	-400	-12,890	0	541,984	0	541,984
Other service expenses	643,787	30,972	161	-6,861	0	668,059	0	668,059
Support Service recharges	0	-59,898	0	-2,237	39,202	-22,933	0	-22,933
Depreciation, amortisation and impairment	84,028	11,517	0	-20	0	95,525	0	95,525
Interest payments	0	0	0	0	0	0	39,043	39,043
Net Pension Interest Cost	0	0	0	0	0	0	22,626	22,626
Precepts & levies	0	0	23,916	0	0	23,916	1,265	25,181
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	7	7
Gain or loss on trading accounts	0	0	0	0	0	0	2,573	2,573
Gain or loss on investment properties	0	0	0	-2,572	0	-2,572	-216	-2,788
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	5,242	5,242
Total Expenditure	**1,244,987**	**20,693**	**23,677**	**-24,580**	**39,202**	**1,303,979**	**70,540**	**1,374,519**
Surplus (-) or deficit (+) on the provision of services	**370,753**	**0**	**23,677**	**-1,272**	**59,899**	**453,057**	**-367,721**	**85,336**

2014-15 Comparative Figures

	Service Analysis (excluding support services)	Services & support not included in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-147,275	-21,584	0	20,141	21,584	-127,134	0	-127,134
Interest and investment income	-1,778	0	0	1,778	0	0	-1,815	-1,815
Council Tax income	0	0	0	0	0	0	-147,437	-147,437
Government grants & contributions	-739,265	-435	0	944	435	-738,321	-344,956	-1,083,277
Total Income	**-888,318**	**-22,019**	**0**	**22,863**	**22,019**	**-865,455**	**-494,208**	**-1,359,663**
Employee expenses in Surplus/Deficit	515,414	35,011	-25	-11,543	0	538,857	0	538,857
Other service expenses	648,249	39,732	161	-6,159	0	681,983	0	681,983
Support Service recharges	0	-58,842	0	-2,042	36,823	-24,061	0	-24,061
Depreciation, amortisation and impairment	78,375	6,118	0	-7	0	84,486	0	84,486
Interest payments	0	0	0	0	0	0	45,988	45,988
Net Pension Interest Cost	0	0	0	0	0	0	25,255	25,255
Precepts & levies	0	0	23,854	0	0	23,854	1,204	25,058
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	11	11
Gain or loss on trading accounts	0	0	0	0	0	0	1,577	1,577
Gain or loss on investment properties	0	0	0	-822	0	-822	-1,795	-2,617
Gain or loss on disposal of fixed assets	0	0	0	0	0	0	7,879	7,879
Total Expenditure	**1,242,038**	**22,019**	**23,990**	**-20,573**	**36,823**	**1,304,297**	**80,119**	**1,384,416**
Surplus (-) or deficit (+) on the provision of services	**353,720**	**0**	**23,990**	**2,290**	**58,842**	**438,842**	**-414,089**	**24,753**

Note 24. Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2014-2015 or 2015-16.

Note 25. Trading Services

Trading services are mainly activities of a commercial nature, which are financed substantially by charges made to recipients of the service. The tables below show the financial performance of trading services in 2014-15 and 2015-16:

Trading Services Surplus (-) / Deficit

2014-15 Surplus (-) /Deficit £000		2015-16 Turnover £000	2015-16 Surplus (-) /Deficit £000
648	School & welfare catering	-17,568	1,342
253	Other catering	-615	296
676	Building cleaning	-1,253	935
1,577	**Total**	**-19,436**	**2,573**

Trading Services Included in Net Cost of Services

2014-15 Surplus (-) /Deficit £000		2015-16 Turnover	2015-16 Surplus (-) /Deficit £000
-411	Markets	-2,838	228
-3,838	Car parks	-5,850	-4,309
297	Trade refuse	-3,158	-168
-3,952	**Total**	**-11,846**	**-4,249**

The services have been shown in the Comprehensive Income and Expenditure Statement in accordance with SeRCOP, Traded Services. Those in the first table have been included in Financing & Investment Income and Expenditure (see note 8b). Traded Services in the second table have been included in the cost of services, in the Comprehensive Income and Expenditure Statement.

Note 26. Agency Services

The Council provides payroll services to a number of external organisations, including Academy Schools and Colleges of Further Education. The payroll records for the external organisations do not form part of the Council's financial statements. However, the costs of administrating this service and the income received from the external organisations in return for the service are included in the Council's financial statements. In 2015-16, the Council received £0.624m income (£0.577m in 2014-15) from external organisations.

The Council also provides accountancy support to a number of external Trusts, which is provided free of charge.

Note 27. Road Charging Schemes

The Council did not undertake or operate any road charging schemes in 2015-16 or 2014-15.

Note 28. Pooled Budgets Arrangements Under Section 31 of the Health Act 1999, and Section 75 of the Health Act 2006

Community Equipment Service Section 31 Agreement

The Council entered into a formal Section 31 pooled budget arrangement for this service from April 2004. From 2015-16, this arrangement was with the Bradford District Clininal Commissioning Group (CCG). A summary of contributions and expenditure is shown below.

	2014-15 £000	2015-16 £000
Funding provided		
Council	1,147	1,147
CCG	1,147	1,147
	2,294	**2,294**
Expenditure	2,977	3,332
Net overspend	**683**	**1,038**
Council share of the net overspend arising on the pooled budget	683	519

In 2015-16 there was an agreement between the Council and the CCG that any overspend on the pooled budget would be met by the Council.

Better Care Fund

	2014-15 £000	2015-16 £000
Funding provided		
Bradford & Airedale Community Equipment	0	1,147
Care Bill Implementation support	0	1,350
Protect Social Services	10,527	15,127
Reablement	1,485	1,485
Carers	570	911
Total LA Better Care Fund	**12,582**	**20,020**
CCG's Better Care Fund	1,515	17,325
Total Better Care Fund	**14,097**	**37,345**

The Better Care Fund (BCF) is a programme spanning both the NHS and local government. It has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with "wraparound" fully integrated health and social care, resulting in an improved experience and better quality of life.

The BCF agreement has been set up under Section 75 of the NHS Act 2006. The total BCF in 2015-16 was £37.3m. It is a pooled budget with Bradford City CCG, Bradford Districts CCG and part of Airedale, Wharfedale and Craven CCG.

Note 29. Termination Benefits

In 2015-16 the Council incurred voluntary and compulsory redundancy costs of £1.150m (£0.847m in 2014-15) together with £2.082m (£3.255m in 2014-15) for early retirement pension costs. The costs relate to the Council's plans to reduce its expenditure to help to offset the impact of significant Government grant reductions.

Note 30. Pension Schemes Accounted For As Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme had 7,141 participating employers in 2014-15, including 174 local authorities, and, consequently, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total expected contributions into the Teachers' Pension Scheme during the year ending 31 March 2016, the Council's own contributions equate to approximately 0.36%.

In 2015-16, the Council paid £21.855m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay up to 31 August 2015 and 16.48% from 1 September 2015. The figures for 2014-15 were £19.518m and 14.1%. There were contributions remaining payable at the year-end of £1.811m. The contributions due to be paid in the next financial year are estimated to be £21.737m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

The Council is not liable to the scheme for any other entities obligations under the plan.

A number of Council employees are also members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department for Health (DoH). The Scheme provides the relevant employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme had 9,168 participating employers as at 31 March 2015, including 142 local authorities, and, consequently, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total expected contributions into the NHS Pension Scheme during the year ending 31 March 2016, the Council's own contributions equate to approximately 0.002%.

In 2015-16, the Council paid £0.198m to NHS Pensions in respect of the relevant employees' retirement benefits, representing 14.3% of pensionable pay. The figures for 2014-15 were £0.217m and 14%. There were contributions remaining payable at the year-end of £0.014m. The contributions due to be paid in the next financial year are estimated to be £0.183m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS Pension Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

The Council is not liable to the scheme for any other entities obligations under the plan.

Note 31. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered through a number of separate regional funds. The Council is a member of the West Yorkshire Pension Fund – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets, determined by the fund's professionally qualified actuary at 31 March 2013 for the three years 1 April 2014 to 31 March 2017. The contribution rates set by the actuary are intended to balance the fund's liabilities with the investment assets over the period. The employer contribution rate for the year 2015-16 in respect of Bradford members of the West Yorkshire Pension Fund was 14.2%.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The West Yorkshire Pension Fund pension scheme is operated under the regulatory framework for the Local Government Pension Scheme. City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF) with statutory responsibility for the management and administration of the Fund, has delegated legal and strategic responsibility for the WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Policy is determined in accordance with the Pensions Fund Regulations. The Fund's entire investment portfolio is managed on a day to day basis in-house, supported by the Fund's external advisers.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute, as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax (i.e. the statutory amount charged against the General Fund balance) is based on the cash payable in the year (i.e. the total contribution paid by the Council under the pension regulations), so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total	
	2014-15 £000	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000	2015-16 £000	2014-15 £000	2015-16 £000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
• Current service cost*	48,317	55,897	0	0	0	0	48,317	55,897
• Past service costs	3,118	2,030	0	0	0	0	3,118	2,030
• Gain (-) / loss from settlements	0	-1,575	0	0	0	0	0	-1,575
Financing and Investment Income and Expenditure								
• Net interest expense	19,583	18,322	2,092	1,584	3,580	2,720	25,255	22,626
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**71,018**	**74,674**	**2,092**	**1,584**	**3,580**	**2,720**	**76,690**	**78,978**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement								
Re-measurement of the net defined benefit liability comprising:								
• Return on plan assets (excluding the amount included in the net interest expense)	-117,437	46,303	0	0	0	0	-117,437	46,303
• Actuarial gains (-) and losses arising on changes in demographic assumptions	0	0	0	0	0	0	0	0
• Actuarial gains (-) and losses arising on changes in financial assumptions	211,255	-87,754	3,313	-1,403	5,676	-2,415	220,244	-91,572
• Actuarial gains (-) and losses due to liability experience	-12,336	-20,731	-490	-899	-840	-1,547	-13,666	-23,177
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**152,500**	**12,492**	**4,915**	**-718**	**8,416**	**-1,242**	**165,831**	**10,532**
Movement in Reserves Statement								
• Reversal of net charges made to the Surplus or Deficit for the Provision of Service for post-employment retirement benefits in accordance with the Code	-71,018	-74,674	-2,092	-1,584	-3,580	-2,720	-76,690	-78,978
Actual amount charged against the General Fund balance for pensions in the year:								
• Employers' contributions payable to the scheme	**35,331**	**34,483**	**0**	**0**	**0**	**0**	**35,331**	**34,483**
• Retirement benefits payable to pensioners	**0**	**0**	**3,633**	**3,643**	**5,954**	**5,863**	**9,587**	**9,506**

* The current service cost includes an allowance for the administration expenses of £0.686m in 2015-16 (£0.682m in 2014-15).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total Per Balance sheet	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	2,340,922	2,306,077	52,893	48,532	90,640	83,535	2,484,455	2,438,144
Fair value of plan assets	1,750,856	1,738,002	0	0	0	0	1,750,856	1,738,002
Impact of Minimum Funding Requirement / Asset Ceiling	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation - Closing balance at 31 March	**590,066**	**568,075**	**52,893**	**48,532**	**90,640**	**83,535**	**733,599**	**700,142**

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	**1,582,770**	**1,750,856**	**0**	**0**	**0**	**0**	**1,582,770**	**1,750,856**
Interest income on assets	67,711	55,704	0	0	0	0	67,711	55,704
Re-measurement gains and losses (-) on assets	117,437	-46,303	0	0	0	0	117,437	-46,303
Contributions from employer	35,331	34,483	3,633	3,643	5,954	5,863	44,918	43,989
Contributions from employees into the scheme	14,341	14,451	0	0	0	0	14,341	14,451
Benefits paid*	-66,734	-68,347	-3,633	-3,643	-5,954	-5,863	-76,321	-77,853
Settlements	0	-2,842	0	0	0	0	0	-2,842
Closing balance at 31 March	**1,750,856**	**1,738,002**	**0**	**0**	**0**	**0**	**1,750,856**	**1,738,002**

* consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Local Government Pension Scheme Discretionary Benefits		Unfunded Liabilities: Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	**2,055,667**	**2,340,922**	**51,611**	**52,893**	**88,178**	**90,640**	**2,195,456**	**2,484,455**
Current service cost	48,317	55,897	0	0	0	0	48,317	55,897
Interest cost	87,294	74,026	2,092	1,584	3,580	2,720	92,966	78,330
Contributions from scheme participants	14,341	14,451	0	0	0	0	14,341	14,451
Re-measurement gains (-) and losses:								
Actuarial gains (-) and losses arising from changes in demographic assumptions	0	0	0	0	0	0	0	0
Actuarial gains (-) and losses arising from changes in financial assumptions	211,255	-87,754	3,313	-1,403	5,676	-2,415	220,244	-91,572
Actuarial gains (-) and losses due to liability experience	-12,336	-20,731	-490	-899	-840	-1,547	-13,666	-23,177
Past service costs	3,118	2,030	0	0	0	0	3,118	2,030
Benefits paid	-66,734	-68,347	-3,633	-3,643	-5,954	-5,863	-76,321	-77,853
Liabilities extinguished on settlements	0	-4,417	0	0	0	0	0	-4,417
Closing balance at 31 March	**2,340,922**	**2,306,077**	**52,893**	**48,532**	**90,640**	**83,535**	**2,484,455**	**2,438,144**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active Members	39%
Deferred Pensioners	14%
Pensioners	47%

Local Government Pension Scheme Assets

Assets in the West Yorkshire Pension Fund are valued at fair value (principally, market value for investments). The following table shows the value of each category of asset and expresses it as a percentage of the total value.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Asset Category	31 March 2015	31 March 2015	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016	31 March 2016
	£000	%	£000	%	£000	%	£000	%
	Total	Total	Quoted	Quoted	Unquoted	Unquoted	Total	Total
Equity investments	1,334,152	76.2	1,195,746	68.8	111,232	6.4	1,306,978	75.2
Government bonds	185,591	10.6	185,966	10.7	0	0.0	185,966	10.7
Other bonds	82,290	4.7	79,948	4.6	0	0.0	79,948	4.6
Cash	33,266	1.9	22,594	1.3	0	0.0	22,594	1.3
Property	75,287	4.3	85,162	4.9	0	0.0	85,162	4.9
Other assets	40,270	2.3	20,856	1.2	36,498	2.1	57,354	3.3
Total	**1,750,856**	**100**	**1,590,272**	**91.5**	**147,730**	**8.5**	**1,738,002**	**100.00**

For a disaggregation of the fair value of the plan assets into classes that distinguish the nature and risks of those assets, please refer to:

- the West Yorkshire Pension Fund Financial Statements and Explanatory Notes in City of Bradford Metropolitan District Council's accounts, see page 97.
- the West Yorkshire Pension Fund Report and Accounts, available at www.wypf.org.uk

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, with estimates for the West Yorkshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2013. The significant assumptions used in the Actuary's assessments of assets and liabilities have been:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits	
	31 March 2015	**31 March 2016**	**31 March 2015**	**31 March 2016**	**31 March 2015**	**31 March 2016**
Mortality Assumptions	years	years	years	years	years	years
Longevity at 65 for current pensioners (aged 65 at accounting date):						
Men	22.6	22.7	22.6	22.7	22.6	22.7
Women	25.5	25.6	25.5	25.6	25.5	25.6
Longevity at 65 for future pensioners (aged 45 at accounting date):						
Men	24.8	24.9	-	-	-	-
Women	27.8	28.0	-	-	-	-
Commutation i.e. take-up of option to convert annual pension into retirement lump sum	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.	-	-	-	-
Financial assumptions	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Rate of RPI inflation	2.9	2.9	2.9	2.9	2.9	2.9
Rate of CPI Inflation	1.8	1.8	1.8	1.8	1.8	1.8
Rate of increase in salaries	3.3	3.3	-	-	-	-
Rate of increase in pensions	1.8	1.8	1.8	1.8	1.8	1.8
Discount rate	3.2	3.4	3.1	3.4	3.1	3.4

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in mortality/longevity, for example, assume that post-retirement mortality age rating increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Impact on the Defined Benefit Obligation in the Scheme

	Present Value of the Defined Benefit Obligation After Increase in Assumption	Change in Present Value of Defined Benefit Obligation	Present Value of Defined Obligation Benefit After Decrease in Assumption	Change in Present Value of Defined Benefit Obligation
	£000	%	£000	%
Mortality/Longevity i.e. Post-retirement mortality age rating * - increase or decrease by 1 year	2,246,642	-2.6	2,365,351	2.6
Rate of increase in salaries - increase or decrease by 0.1%	2,316,146	0.4	2,296,110	-0.4
Rate of increase in pensions - increase or decrease by 0.1%	2,338,720	1.4	2,273,931	-1.4
Discount rate i.e. Rate for discounting scheme liabilities - increase or decrease by 0.1%	2,264,054	-1.8	2,348,880	1.9

* an increase by 1 year means that members are assumed to follow the mortality pattern for an individual that is 1 year older than them.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 22 years from 1 April 2014. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 are £33.556m.

The total contributions expected to be made for the Local Government Pension Scheme Discretionary Benefits scheme and the Teachers Voluntary Early Retirement Discretionary Benefits scheme in the year to 31 March 2017 are £3.643m and £5.863m, respectively.

The weighted average duration of the funded defined benefit obligation for the Local Government Pension Scheme (LGPS) is 18.4 years at 31 March 2016 (18.4 years at 31 March 2015).

The weighted average duration of the unfunded defined benefit obligation for Local Government Pension Scheme (LGPS) Discretionary Benefits & Teachers Voluntary Early Retirement Discretionary Benefits is 12 years at 31 March 2016 (12 years at 31 March 2015).

Note 32. Members' Allowances

- The total cost to the Council in respect of Members' allowances in 2015-16 was £1,971,671 and £19,742 expenses (£2,002,940 and £10,923 expenses in 2014-15). Excluding Employers National Insurance contributions directly paid over to Central Government, the cost of Members Allowances in 2015-16 was £1,831,789 and £19,742 expenses (£1,870,528 and £10,923 expenses in 2014-15)

Note 33. Employees' Remuneration

Authorities are required to disclose information on employees' remuneration in excess of £50,000 per annum. Remuneration is defined in the regulations as:

- All amounts paid to or receivable by an employee
- Expense allowances chargeable to tax
- The estimated money value of any other benefits received by an employee otherwise than in cash

Number of Employees 2014-15 (Restated)	Employees Emoluments	Number of Employees 2015-16
157	£50,000 - £54,999	184
127	£55,000 - £59,999	112
63	£60,000 - £64,999	66
67	£65,000 - £69,999	48
30	£70,000 - £74,999	30
29	£75,000 - £79,999	20
17	£80,000 - £84,999	18
10	£85,000 - £89,999	9
5	£90,000 - £94,999	6
3	£95,000 - £99,999	3
1	£100,000 - £104,999	2
1	£105,000 - £109,999	3
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0
2	£120,000 - £124,999	0
2	£125,000 - £129,999	0
0	£130,000 - £134,999	0
0	£135,000 - £139,999	0
1	£140,000 - £144,999	0
515	Total	501

The above figures include 362 teachers (402 in 2014-15).

The above table includes compensation payments for loss of employment

Senior Officers Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

A Senior Officer is defined as an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

a) The designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989
b) The head of staff for a relevant body which does not have a designated head of paid service; or
c) Any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

2015-16 Senior Officers with a salary less than £150k per annum (excluding Employer Pension contributions)

Post Title	Note	Salary including fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Strategic Director Adult & Community Service	H	28,871				28,871	4,100	32,971
Interim Strategic Director Adult & Community Service	I	80,314				80,314	11,405	91,719
Strategic Director – Children's Services		136,480				136,480	19,380	155,860
Director of Human Resources		95,912				95,912	13,619	109,531
Strategic Director Environment & Sport		111,283				111,283	15,802	127,085
Stategic Director – Regeneration and Culture		111,283				111,283	15,802	127,085
Acting City Solicitor	K	86,921				86,921	12,343	99,264
Interim City Solicitor	J	8,625				8,625		8,625
Director of Finance		110,000				110,000	15,620	125,620
Director of Public Health		104,410				104,410	14,931	119,341
Director of West Yorkshire Pension Fund		96,378				96,378	13,686	110,064

2014-15 Senior Officers with a salary less than £150k per annum (excluding Employer Pension contributions)

Post Title	Note	Salary including fees & Allowances	Expense Allowances	Comp'n for loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Strategic Director Adult & Community Services		113,379	0	0	0	113,379	16,101	129,480
Strategic Director – Children's Services	I	135,899	0	0	0	135,899	19,298	155,197
Interim Head of Human Resources	D	69,885	0	49,329	0	119,214	9,924	129,138
Director of Human Resources	D	22,187	0	0	0	22,187	3,150	25,337
Strategic Director Environment & Sport	E2	108,299	0	0	0	108,299	15,378	123,677
Strategic Director - Regeneration and Culture	E2	108,171	0	0	0	108,171	15,360	123,531
City Solicitor	E	61,262	0	0	0	61,262	8,699	69,961
Acting City Solicitor	C,A2	37,629	0	0	0	37,629	5,343	42,972
Director of Finance		110,000	0	0	0	110,000	15,620	125,620
Director of Public Health		104,410	0	0	0	104,410	14,617	119,027
Director of West Yorkshire Pension Fund		94,961	0	0	0	94,961	13,484	108,445

Senior Officers' Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is more than £150,000

2015-16 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)								
Post Title and Holder	**Note**	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Acting Chief Executive - Suzan Hemingway	A2,G	73,013				73,013	10,368	83,381
Chief Executive - Kersten England	B,F	118,024				118,024	16,759	134,783

2014-15 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)								
Post Title and Holder	**Note**	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive - Tony Reeves	E,B	117,815	0	0	0	117,815	16,730	134,545
Acting Chief Executive – Suzan Hemingway	B,C,	74,365	0	0	0	74,365	10,560	84,925

Notes:

A. Contracted annualised salary excludes honorariums, extra duty payments and transport allowances, as well an expense allowances and employer pension contributions. They also show the cost for a full financial year, regardless of how long the postholder was in post. The annualised salary also shows the salary grade at the end of the financial year, even though an increment may have been received part way through the year. The contracted annualised salaries of the Senior Officers posts are as follows:

<u>Annualised Salary for 2015-16</u>

Chief Executive – Kersten England - £178,476
Acting Chief Executive – Suzan Hemingway - £178,476
Director of Finance – £110,000
Strategic Director Children's Services – £136,480
Strategic Director Adult and Community Services – £115,486
Interim Strategic Director Adult & Community Services – £107,086
Strategic Director Regeneration and Culture – £111,283
Strategic Director Environment and Sport –£111,283
Acting City Solicitor – £92,808
Interim City Solicitor - £135,600*
Director West Yorkshire Pension Fund – £96,378
Director of Public Health – £99,910
Director of Human Resources – £96,378

*The Interim City Solicitor was in post from 7 March 2016 to 30 March 2016 during the 2015-16 financial year, on a temporary basis. The annualised salary has been calculated based on the daily rate paid for the Interim City Solicitor in February and March.

<u>Annualised Salary for 2014-15</u>

Chief Executive – Tony Reeves - £178,476
Acting Chief Executive – Suzan Hemingway - £178,476
Director of Finance - £110,000
Strategic Director Children's Services – £136,480
Strategic Director Adult and Community Services – £113,384
Strategic Director Regeneration and Culture – £ 109,186
Strategic Director Environment and Sport – £109,186
City Solicitor – £96,378
Acting City Solicitor - £91,023
Director West Yorkshire Pension Fund – £96,378

Director of Public Health - £ 99,910
Head of Human Resources - £91,023
Director of Human Resources - £94,591

A2 Election fees were received as follows:
Acting Chief Executive – Suzan Hemingway - £13,521 (£13,704 2014-15)
Acting City Solicitor - £3,867

B The Chief Executive, Tony Reeves, left the employment of the Council on 31 October 2014; the Acting Chief Executive started on 1 November 2014 and was previously the City Solicitor for the Council.

C The Acting City Solicitor started the role on 1 November 2014; the City Solicitor became the Acting Chief Executive on 1 November 2014, see B above.

D The Director of Human Resources started on 5 January 2015; the Interim Head of Human Resources' final day as a member of the Corporate Management Team was 4 January 2015.

E The following amounts were paid in 2014-15 for election duties and are included in salaries.
Chief Executive – Tony Reeves - £13,704
City Solicitor - £6,144

E2 The Interim Strategic Director of Regeneration and Culture became the Strategic Director of Regeneration and Culture on 22 October 2014. Similarly the Interim Strategic Director of Environment and Sport became the Strategic Director of Environment and Sport on 22 October 2014. The postholder was the same person in both cases. Because of this and also that the changes to the terms and conditions of the posts was insignificant, the remuneration shown for the interim and permanent posts have been combined, in each case.

Notes relating to Senior Officers Remuneration 2015-16 only below:

F The Chief Executive started in post on 3 August 2015.

G The Interim Chief Executive left the post of Chief Executive on 2 August 2015.

H The Strategic Director - Adult & Community Services left the post on 30 June 2015.

I The Interim Strategic Director - Adult & Community Service started this post on 1 July 2015

J The Interim City Solicitor started this post on 7 March 2016.

K The Acting City Solicitor left the post on 6 March 2016.

Exit Packages

The total cost to the Council of exit packages includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The exit packages are classified into compulsory redundancies and other departures.

Compulsory Redundancies				
Number of Exit Packages 2014-15	**Cost to Council 2014-15**	**Cost Bandings**	**Number of Exit Packages 2015-16**	**Cost to Council 2015-16**
	£			**£**
29	136,861	£0 - £19,999	26	217,309
2	54,987	£20,000 - £39,999	5	116,750
0	0	£40,000 - £59,999	5	243,588
1	67,533	£60,000 - £79,999	0	0
1	92,356	£80,000 - £99,999	0	0
0	0	£100,000 - £149,999	0	0
0	0	£150,000 - £199,000	0	0
33	**351,737**	**Total**	**36**	**577,647**

Other Departures				
Number of Exit Packages 2014-15	**Cost to Council 2014-15**	**Cost Bandings**	**Number of Exit Packages 2015-16**	**Cost to Council 2015-16**
	£			**£**
107	878,746	£0 - £19,999	127	791,970
28	822,809	£20,000 - £39,999	20	564,684
15	737,618	£40,000 - £59,999	7	332,236
7	492,221	£60,000 - £79,999	7	457,618
12	1,080,320	£80,000 - £99,999	6	528,451
6	767,566	£100,000 - £149,999	4	460,104
0	0	£150,000 - £199,000	0	0
175	**4,779,280**	**Total**	**171**	**3,135,063**

Note 34. Capital Charges and the Repayment of External Loans

Services have been charged or credited within the Comprehensive Income and Expenditure Statement for:

- The depreciation and impairment of fixed assets.
- Expenditure on Revenue Expenditure Funded from Capital under Statute (REFCUS).

These charges are not required by statute and have therefore been removed when calculating the Movement on the General Fund Balance.

In their place, the Council is required to make a statutory minimum revenue provision for the repayment of debt**.** The Council has based the 2015-16 statutory general fund minimum revenue provision on 4% of the opening capital financing requirement for supported borrowing and on the asset life method for unsupported borrowing.

The MRP for 2015-16 is £32.162m (2014-15 £32.045m).

These changes are reflected in a transfer to or from the Capital Adjustment Account and are included in the Movement in Reserves Statement.

Capital Expenditure Charged to General Fund Balance

Authorities are allowed to finance capital expenditure through their revenue accounts. The expenditure of £6.706m in 2015-16 (£10.209m in 2014-15) is not shown in the Comprehensive Income and Expenditure Account but is charged to the General Fund and shown in the Movement in Reserves Statement.

Profit or Loss on the Disposal of Assets and Investments

Profits or losses arising on the disposal of assets are charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The loss on disposal of £4.812m in 2015-16 is made up of £13.003m from the de-recognition of assets and £8.191m in capital receipts. There was a loss on disposal in 2015-16 largely because of one secondary school that was de-recognised from assets when they converted to an Academy. The Council does not receive capital receipts when schools convert to academies.

Although generally accepted accounting practice requires any profit or loss to be charged to the Comprehensive Income and Expenditure Statement, there is no statutory duty on local authorities to make such a charge. The charge is therefore removed when calculating the movements on the General Fund balance for the year.

Note 35. Leases

Council as Lessee

Finance Leases
The Council has a number of assets which have been acquired under finance leases. These include Industrial Units, vehicles, IT equipment and photocopiers.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2015	Finance Leases as Lessee	31 March 2016
£000		£000
121	Other land and Buildings	97
781	Vehicles, Plant, Furniture and Equipment	932
902	**Total**	**1,029**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2015	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2016
£000		£000
274	Current	277
587	Non-current	657
148	Finance costs payable in future years	141
1,009	**Total Minimum Lease Payments**	**1,075**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Not later than one year	330	333	274	277
Later than one year and not later than five years	679	742	587	657
Later than five years	0	0	0	0
	1,009	**1,075**	**861**	**934**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council has sub-let some of the Industrial Units held under the finance lease. As at the 31 March 2016 the forecast rental income for 2016-17 is £106,000.

No investment property held under operating leases have been classified as finance leases. However, should the economic reality be equivalent to the sale of investment property, these would be treated as finance leases.

Operating Leases

The Council has entered into a number of operating leases for buildings, vehicles, photocopiers and office equipment. The amount charged under these arrangements in the Comprehensive Income and Expenditure Statement during 2015-16 was £2.4m (£2.3m 2014-15).

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2015 £000		31 March 2016 £000
1,901	Not later than one year	2,033
4,653	Later than one year and not later than five years	4,534
3,278	Later than five years	2,525
9,832	**Total**	**9,092**

Council as Lessor

Finance Leases

The Council has leased out two properties respectively for 999 and 125 years. The Academy school buildings that are on a 125 year lease are also treated as a finance lease.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the properties acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2015 £000	Finance lease debtor (net present value of minimum lease payments)	31 March 2016 £000
2	Current	0
221	Non-current	223
2,674	Unearned finance income	2,667
2,897	**Gross Investment in the Lease**	**2,890**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000
Not later than one year	38	32	38	32
Later than one year and not later than five years	129	154	129	154
Later than five years	2,730	2,704	2,730	2,704
	2,897	**2,890**	**2,897**	**2,890**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The gross investment in the leases is assumed to be the same as the minimum lease payments because no residual value has been assumed for the leases at their end date.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- 3 academy schools that are on short-term six year leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2015 £000		31 March 2016 £000
2,449	Not later than one year	2,585
4,945	Later than one year and not later than five years	4,990
67,571	Later than five years	67,457
74,965	**Total**	**75,032**

The minimum leases payments receivable do not include rents that are contingent on events after the lease was entered into, such as income based on a percentage of income receipts. In 2015-16 £0.503m contingent rents were receivable by the Council (2014-15 £0.573m).

Note 36. **Private Finance Initiative (PFI)**

BSF Phase 1 – Provision of three schools

The Council has a 25 year PFI contract for the building and maintenance of three schools under the Building Schools for the Future Phase 1 programme. The contract commenced in August 2008 and expires in August 2033. The Council has rights under the contract to specify the activities undertaken at each school, and the contract specific minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct and maintain the schools to a minimum acceptable condition and to procure and maintain the necessary plant and equipment needed to keep the schools operational. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council would have to pay the contractor substantial compensation if it terminated the contract early without due cause.

2014-15 £000	BSF Private Financing Initiative	2015-16 £000
	Charges to Net Cost of Services	
4,015	Unitary Payments to the Contractor for services provided	4,323
4,015	**Total charges to the revenue account**	**4,323**
	Net Operating Expenditure	
6,691	Interest element of finance lease payments	6,535
	Movement in Reserves Statement	
2,201	Capital element of finance lease	2,362
12,907	**Total PFI charges**	**13,220**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
4,164	Education	4,509
0	Council and Schools contribution	236
13,169	**Total Financing**	**13,750**
262	**Transfer to BSF PFI Reserve**	**530**

The assets used to provide services at the schools are recognised on the Council's Balance Sheet, as regards one Community School. The other school assets are de-recognised because they are Trusts. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March 2016 are as follows:

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 year	11,884	2,407	6,356	3,121
2-5	48,803	10,353	22,953	15,497
6-10	64,087	16,463	22,770	24,854
11-15	67,933	25,222	15,507	27,204
16-20	33,884	16,587	3,801	13,496
Total	**226,591**	**71,032**	**71,387**	**84,172**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, any capital expenditure incurred, and principal and interest payable to reduce the outstanding liability to the contractor. The liability outstanding to the contractor for capital expenditure incurred is as follows:

2014-15 £000	Analysis of Outstanding Liability for BSF Phase 1	2015-16 £000
75,595	**Balance outstanding at 31 March**	**73,394**
-2,201	Payments during the year	-2,362
73,394	**Balance outstanding at year end**	**71,032**

The closing value of assets held under the scheme at 31 March 2016 was £19.677m (£20.099m 31 March 2015) in respect of the BSF Phase 1 scheme.

The liabilities (i.e. the total principal repayments due over the life of the scheme) due on these assets at 31 March 2016 were £71.032m (£73.394m at 31 March 2015). The decrease of £2.362m is due to payments during the year.

BSF Phase 2

The Council entered into a contract for Phase 2 of the BSF programme in September 2009, ending 2035-36. This relates to the building and maintenance of four mainstream Secondary Schools and three co-located Special Needs Secondary Schools. Two of the sites were completed during March 2011 and the other two handed over during 2011-12. The Council controls these assets and they will transfer to the Council at no cost at the end of the contract.

2014-15 £000	BSF Private Financing Initiative	2015-16 £000
	Charges to the Revenue Account	
8,350	Unitary Payments to the Contractor for services provided	13,317
8,350	**Total charges to the revenue account**	**13,317**
	Net Operating Expenditure	
12,335	Interest element of finance lease payments	12,142
	Statement of Movement on the General Fund Balance	
5,793	Capital element of finance lease	5,923
26,478	**Total PFI charges**	**31,382**
	Financed By	
18,296	Government PFI Revenue Grant	18,296
8,398	Education	8,522
0	Council and Schools contribution	4,257
26,694	**Total Financing**	**31,075**
216	**Transfer to BSF PFI Reserve**	**-307**

The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March are as follows:

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 yr	24,888	5,924	11,667	7,297
2-5	102,026	21,549	44,814	35,663
6-10	133,578	27,454	52,946	53,178
11-15	141,118	31,730	47,875	61,513
16-20	148,289	36,544	39,462	72,283
Total	**549,899**	**123,201**	**196,764**	**229,934**

The liability outstanding to the contractor for capital expenditure incurred is as follows:

2014-15 £000	Analysis of Outstanding Liability for BSF Phase 2	2015-16 £000
134,917	**Balance outstanding at 31 March**	**129,124**
-5,793	Payments during the year	-5,923
0	Capital Expenditure incurred in the year	
129,124	**Balance outstanding at year end**	**123,201**

The closing value of assets held under the scheme at 31 March 2016 was £40.044m (£40.840m £2014-15) in respect of the BSF Phase 2 scheme. The assets used to provide services at the schools are recognised on the Council's Balance Sheet, as regards one Foundation School, one Special School and one Academy on a short term 6 year lease. The liabilities (i.e. the total principal repayments due over the life of the scheme) due on these assets at 31 March 2016 were £123.201m (£129.124m 31 March 2015).

The excess of the liabilities over the assets arises because schools are de-recognised when they convert from Community, Foundation or Special Schools to Academies on long leases or Trust status. This excess of the liabilities will be financed in future years by government grants. However, in line with accounting standards and the Code, these government grants are not shown on the Council's balance sheet.

The remaining BSF scheme assets total £59.721m, per Note 9 page 44 and the total liabilities are £194.233m. The total excess of liabilities over assets for BSF Phase 1 and 2 is £134.512m. This reduces the Council's Net Assets as shown in its Balance Sheet, on page 21, by £134.512m.

Note 37. Capital Expenditure and Financing

The Capital Financing Requirement is the outstanding nominal debt on historic borrowing to finance debt. The Capital Financing Requirement is shown below:

2014-15 £000		2015-16 £000
	Capital Expenditure and Capital Financing Requirement	
687,905	**Opening Capital Financing Requirement**	**679,271**
	Capital investment	
94,802	Property, Plant and Equipment	60,203
0	Aborted cost on prior year capital expenditure	-212
0	Investment properties	0
487	Intangible Assets	336
902	Heritage Assets	333
0	Asset Held for Sale	54
18,560	Revenue Expenditure funded from Capital under statute	9,965
	Sources of Finance	
-4,392	Capital Receipts Applied	-5,119
-76,031	Government grants and other contributions	-39,980
-10,209	Sums set aside from revenue	-6,706
-900	Donated assets	-329
-8,277	Repayment of Principal on PFI and Other Finance Leases	-8,715
-23,574	MRP/loans fund principal	-23,262
0	Miscellaneous other	0
-2	Payments of Principal on Long-Term Debtors	-184
679,271	**Closing Capital Financing Requirement**	**665,655**
	Explanation of movements in year	
-8,846	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-14,120
212	Assets acquired under finance leases	504
0	Assets acquired under PFI contracts	0
-8,634	**Increase/ (decrease) in Capital Financing Requirement**	**-13,616**

Note 38. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

These are payments of a capital nature where no fixed asset is created, mainly grants made to individuals or organisations for capital purposes, such as improvement grants.

There was no balance brought forward at the start of the year. The cost of revenue expenditure funded from capital under statute (REFCUS) in the year was £9.965m (£18.560m in 2014-15). Grants of £4.222m funded this in year REFCUS expenditure (£11.776m in 2014-15), including £3.111m transferred from the Capital Grants Unapplied reserve (£3.189m in 2014-15).

Note 39. Other Long Term Liabilities

The total deferred liabilities at 31 March 2016 are £891.279m compared to a total of £933.203m at 31 March 2015. The main liability is in respect of the actuarially calculated pension liability which is £33.457m lower at 31 March 2016 when compared to 31 March 2015.

Other significant liabilities are:

a) PFI principal repayments due over the remaining life of the BSF Phase 1 and Phase 2 contracts. The total outstanding PFI liability as at 31 March 2016 was £185.902m (£202.5m at 31 March 2015), of which £177.702m is a deferred liability and £8.2m a creditor in respect of the 2015-16 principal repayment.

b) former West Yorkshire Waste Management Joint Committee debt. This is managed on the Council's behalf by Wakefield Metropolitan District Council. The deferred liability outstanding at 31 March 2016 was £4.085m (£4.255m at 31 March 2015).

The other deferred liabilities relate to finance leases. These comprise property and equipment leased by the Council where the real substance of the transaction is that the assets are bought on credit.

2014-15 £000	Other Long Term Liabilities	2015-16 £000
733,599	Pension Liability	700,142
	BSF	
71,032	Phase 1	68,625
123,201	Phase 2	117,277
4,255	Waste Management Joint Committee Debt	4,085
1,116	Other	1,151
933,203		**891,280**

The combined liability shown on the Balance Sheet of PFI Phase 1 and Phase 2 is £185.902m. As with all the Long-Term liabilities and current liabilities, the liability of £185.902m impacts on the Balance Sheet by reducing the net assets of the authority. However, this liability is matched with a government grant for Phase 1 of £9.005m and £18.296m for Phase 2, totalling £27.301, see Note 45, page 87. The Phase 1 grant will be paid until 2033 and the Phase 2 grant will be paid until 2036.

Note 40. Deferred Income

There was no deferred income in 2015-16.

Note 41. Related Party Transactions

The Council has the following Related Party disclosures in relation to the following entities:

West Yorkshire Joint Committee - The West Yorkshire Joint Committee comprises the Councils of Bradford, Leeds, Calderdale, Kirklees and Wakefield. Its services include the Archaeology Advisory Service, Archaeological Services, Archive Service, Ecology, Materials Testing Service, Analytical Services and Trading Standards Service. It has been set-up as a partnership. The Council's share of its expenses is included below in this note, see Other Public Bodies.

Bradford Council makes an annual financial contribution to the West Yorkshire Joint Committee, based on its share of the service cost, and is represented on the management board. All the financial contributions are made on an annual basis. The Board manages the financial position and financial performance of the Joint Committee.

Combined Authority - The Combined Authority comprises the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield and includes York as an associate. The Leader of Bradford Council is a member of the Combined Authority. The West Yorkshire Transport Fund became a committee of the Combined Authority during 2014-15; Bradford's share of expenditure of this is shown separately below in this note, see Other Public Bodies.

In future years, it is anticipated that the Combined Authority will receive capital grants, which will be spend on transport infrastructure projects across West Yorkshire.

The 2015-16 financial year was the second year of operation. The value of its financial transactions is expected to expand in future years.

Leeds City Region - The Leeds City Region comprises the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield, York, Barnsley, Harrogate, Craven, Selby and North Yorkshire. It was set-up by a partnership agreement. The organisation accounts for grants held for the purpose of capital investment projects across the West Yorkshire Region.

The accountable body for the Leeds City Region in the West Yorkshire Combined Authority.

While the Leeds City Region holds significant capital grants, the cash flows are managed by Leeds City Council and a separate statement of accounts prepared. The accounts are subject to audit.

Business Rates Pool - The Business Rates Pool comprises the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield, York and Harrogate. Councils currently receive a 49% share of Business Rates, replacing direct government funding. The Pool redistributes levy income that would otherwise be paid over to Central Government.

In 2015-16, Bradford Council received a repayment from the Pool of £0.183m (£0.127m 2014-15).

Revolving Infrastructure Investment Fund - This fund is a Limited Liability Partnership comprising the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield, York and Harrogate. It has been set up with the purpose of giving loans for infrastructure development across West Yorkshire. No loans have been agreed to date.

The Council has the following Related Party Disclosures:

Authorities are required to disclose transactions between themselves and related parties. In this context related parties are individuals or bodies which have the potential to influence or control the Council or to be influenced or controlled by the Council. The following information is provided.

Central Government

The UK Government provides the statutory framework within which the Council operates, provides the majority of Council funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties. Details of Government grants for revenue purposes are set out in Note 45 which identifies the cash grants received in the year for inclusion in the Cash Flow Statement (page 22).

Members

The Leader and Portfolio Holders are responsible for the direct control of the policies of the Council. Therefore where the Council enters into material financial transactions with other entities over which the Leader and Portfolio Holder also exert influence, this is declared below.

The Council's Leader is a member of the West Yorkshire Combined Authority. The Council contributed £23.916m in revenue funding to the Transport Committee of the West Yorkshire Combined Authority in 2015-16 and received from the Committee a capital grant of £8.6m, see Other Public Bodies below.

The Council's Deputy Leader and Portfolio Holder for Housing, Planning and Transport is also the Council appointed chair of West Yorkshire Joint Services, Archives, Archaeology and Trading Standards Committee. The Council contributed £0.979m revenue funding towards West Yorkshire Joint Services in 2015-16. The Employees' Remuneration Note 33 can be viewed on p73.

The register of Members' interests is held by the Member Support Section within City Hall, Bradford and is available for public inspection as required by the code of conduct adopted by the Council in accordance with section 51 of the Local Government Act 2000 and the Local Authority (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act. Chief Officers were requested to complete a voluntary declaration of any relevant transactions with the Council or between the Council and third parties with which they have some relationship. This resulted in there being no other material transactions to disclose. The Members' Allowances Note 32 can be viewed on p73.

Chief Officers

The Pension Fund has an investment in Montanaro European Smaller Companies Fund Plc, which at 31 March 2016 was valued at £19.2m, which has an original cost of £4.9m. There has been no investment activity with the Fund during 2015-16. The Director of West Yorkshire Pension Fund is a non-executive director of Montanaro European Smaller Companies Fund Plc, for which a fee is received.

West Yorkshire Pension Fund

The Council administers the West Yorkshire Pension Fund. In 2015-16 it charged the Fund £0.438m in respect of support services provided (£0.606m in 2014-15). The charge includes accommodation, financial, legal and IT services.

Other Public Bodies

Revenue transactions with precepting authorities, joint committees and other related bodies in the year were:

2014-15 £000	Other Public Bodies	2015-16 £000
	Payment of precepts	
7,300	West Yorkshire Fire and Rescue Authority	7,627
17,575	Police and Crime Commissioner West Yorkshire	18,363
1,204	Parish Councils	1,265
25,633	Payments to joint committees, joint services and other bodies	*25,693
19	Parish Councils (running expenses and allotment grants)	23

*Includes a revenue contribution of £23.916m to the Transport Committee of the West Yorkshire Combined Authority. In addition, the Council received a £8.6m (£7.208m in 2014-15) capital grant payment from the same Committee.

Subsidiary and Associated Companies

The Council had financial relationships in 2015-16 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2015-16 were:

2014-15 £000	Subsidiary and Associated Companies	2015-16 £000
194	Building Schools for the Future Ltd Phase 2	174
85	Building Schools for the Future Ltd Phase 1	84
1	Integrated Bradford LEP Ltd	1

Details of the Council's long term investment in Integrated Bradford LEP Ltd, is shown in Note 16 on Long Term Investment

In 2015-16 the Council received a £0m interim dividend from our 10% investment in Integrated Bradford LEP (£0m 2014-15)

CBMDC Building Schools for the Future Ltd, (6015434) is a wholly owned subsidiary of Bradford Council. It was incorporated on 30 November 2006 with the sole purpose to make a loan to Integrated Bradford LEP Fin co One Ltd (5797779). The company's financial accounts are available from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX. In 2009-10 a further loan for Phase 2 was made to Integrated Bradford LEP Fin co One Ltd (5797779). In addition, the Bradford District Apprenticeship Training Agency (8424557) was incorporated on 28 February 2013. However, as at 31 March 2016, there is no material activity.

In addition to the above, the Council is involved in a number of other partnerships and companies limited by guarantee. The Council does not have significant influence over these organisations.

Joint Arrangements

The Council has identified that it is involved in 8 (8 in 2014-15) Joint Arrangements. One of these is the Yorkshire Purchasing Organisation.

The remaining 7 Joint Arrangements are known collectively as the West Yorkshire Services Committee. Individually these comprise: West Yorkshire Archaeology Advisory Service, Archaeological Service, West Yorkshire Archive Service, West Yorkshire Ecology, West Yorkshire Materials Testing Service, West Yorkshire Public Analyst and West Yorkshire Trading Standards. In 2015-16 the Council included its contribution of £0.979m to these arrangements (£1.094m in 2014-15) in the Comprehensive Income & Expenditure Statement but has not included its share of the assets and liabilities on the grounds of non-materiality.

The Council had no significant balances outstanding at year end with related parties.

Note 42. External Audit Costs

Fees payable to the Council's external auditors under the Local Audit and Accountability Act 2014, including the audit of the West Yorkshire Pension Fund, were:

2014-15 £000	External Audit Costs	2015-16 £000
246	External audit services	185
26	Certification of grant claims and returns	17
48	West Yorkshire Pension Fund	48
5	Fees for other services	3
325	**Total**	**253**

Note 43. Dedicated Schools Grant (DSG)

The Council is allocated the Dedicated Schools Grant (DSG) from the Department for Education (DfE) in support of expenditure relating to the schools budget. The DSG must be allocated between Individual Schools budget (ISB) and the Central School Budget expenditure, and over or underspends on the two elements need to be shown separately. The DSG has been made under sections 14 of the Education Act 2002 and has been spent in accordance with regulations made under sections 45A, 45AA, 47, 48 (1) and (2) and 138 (7) of, and paragraph 1 (7) (b) of Schedule 14 to the School Standards Framework Act 1998 (England).

New disclosure requirements in 2014/15 require the Council to show any in year DSG adjustments made by the DfE.

Bradford was allocated £501.397m, see the table below:

Dedicated Schools Grant	**2014-15**	**2014-15**	**2014-15**	**2015-16**	**2015-16**	**2015-16**
	Total Restated £000	Central Expenditure £000	Individual Schools Budget (ISB) Restated £000	Total £000	Central Expenditure £000	Individual Schools Budget (ISB) £000
Final DSG before Academy Recoupment	471,786			501,397		
Academy Recoupment	-83,332			-117,432		
Total DSG after Academy Recoupment	***388,454**			**383,965**		
Plus DSG b/f from previous year	5,485			4,994		
DSG carry forward to following year agreed in advance	0			0		
Agreed Budget Distribution	**393,939**	**21,501**	**372,438**	***388,959**	**19,332**	**369,627**
In Year Adjustments	-163	0	-163	0	0	0
Final Budgeted Distribution	**393,776**	**21,501**	**372,275**	**388,959**	**19,332**	**369,627**
Less Actual ISB deployed to schools	372,438	0	372,438	369,627	0	369,627
Less Actual Central Expenditure	16,344	16,344	0	18,445	18,445	0
Carry Forward	**4,994**	**5,157**	**-163**	**887**	**887**	**0**
Carry Forward agreed in Advance	0	0	0		0	
Total Carry Forward	4,994	0	0	**887**		0

*The DSG after Academy Recoupment of £383.965m and the previous year in year adjustment of £0.163m, total £383.802m, per the amount shown for the DSG in Note 45, page 87.

Note 44. Contingent Liabilities and Assets

This note summarises potential contingent losses in relation to certain outstanding matters which cannot be estimated accurately or considered sufficiently certain. Contingent liabilities are not accrued in the accounting statements.

Equal Pay Claims

Single Status is the process of job evaluation and harmonisation of former officer and manual worker terms and conditions, which dates from the 1997 Single Status agreement. A contingent liability is needed for unexpected consequences of the equal pay legislation. However, no provision has been set aside as at 31 March 2016 (Please see Provisions, Note 20, p53).

Employment Tribunal

An Employment Appeal Tribunal (November 2014) ruled that holiday pay should include non-guaranteed overtime which may have implications for the Council where our employees are required to work overtime as a regular part of their job. Any backdating of claims is limited. A limited liability may therefore arise, although it is not thought likely that the impact will be significant.

Municipal Mutual Insurance Limited (MMI Ltd)

Prior to 1992, the Council's public liability and employers liability insurance were supplied by MMI Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Arrangement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. A court ruling in relation to employers liability for occupational disease claims such as asbestosis has adversely affected the financial position of MMI Ltd to the extent that the Scheme of Arrangement has been triggered. The initial levy rate has been set at 15%, and the Council paid £0.455m out of the opening provision for this amount. An additional levy was triggered for a further 10% on 1 April 2016, for which a provision was set aside as at 31 March 2016 (Please see Provisions, Note 20, p53).

Pension Fund Guarantees

The Council has agreed, subject to limitations, to guarantee the pension fund deficit of various bodies. Based on the 2013 actuarial valuations, there is no overall net liability to the Council, although it is recognised that in the future this position could change.

Partnership Organisation

The Council withdrew from a partnership organisation. This gave rise to an additional pension liability of £0.226m as at 31 March 2015, which was subsumed into the Council's overall pension liability.

PFI BSF Phase 1 Asbestos Compensation Claim

The main contractor responsible for delivery of the PFI BSF Phase 1 scheme has claimed for compensation for extra costs incurred in dealing with asbestos during construction of the scheme. The potential liability is being considered by the Council's legal and technical advisers for the scheme.

Search Fees

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council agree to settle and some costs were settled in 2015/16. It is possible that additional claimants may come forward to submit claims for refunds. An amount of £0.201m is set aside within provisions for refund of search fees (Please also see Provisions, Note 20, p53).

Compensation Claim

There is a potential contingent liability for schools that convert to an academy where there are historic school deficit balances and whose responsibility they will be if a school converts to an academy. There are a number of schools that could be affected although the Council will look to actions to reduce its exposure to financial loss.

The Council is also in discussions with a specific school with regards to a potential compensation claim.

Note 45. Grant Income

The revenue government grants shown in the tables below represent the accrued amount received by the Council.

The Council credited the following grants, and donations to the Comprehensive Income and Expenditure Statement in 2015-16:

	2014-15 £000	2015-16 £000
Credited to Net cost of Services		
Dedicated Schools Grant (DSG)	388,763	383,802
Rent Allowance Subsidy	177,864	174,330
Public Health	34,699	39,082
Pupil Premium	28,099	27,365
PFI Revenue Support	27,301	27,301
Education and Schools	25,766	27,323
Education Services	9,743	7,788
NHS Adult Social Care	10,529	15,135
Care Act	125	2,288
Independent Living Fund	0	1,633
Revenue Expenditure Funded from Capital under Statute (REFCUS)	8,587	1,111
Council Tax reduction & housing benefits administration	4,502	3,805
Miscellaneous under £500k	2,491	1,913
Safer Communities	2,526	2,992
Discretionary Welfare Support	2,336	0
Troubled Families	2,286	1,754
Regional Growth Fund	1,080	272
Contribution to cost of Business Rates collection	762	738
Youth Training	724	961
European Union	675	625
Adoption Grant	627	462
Voices	415	309
Weekly Waste Collections	468	0
Asylum accommodation	322	291
Arts, Heritage & Leisure	138	107
Personal Social Services	101	0
Total	**730,929**	**721,387**
Credited to Taxation and Non Specific grant income		
Revenue Support Grant	149,374	107,391
Top Up Grant	55,508	56,568
New Homes Bonus Grant	7,944	9,644
Small Business Rates and other Section 31 grants	6,157	8,217
Capitalisation Redistribution	0	0
Local Services Support Grant	289	165
Academy Refund	0	0
Total	**219,272**	**181,985**

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances shown below are included in the Balance Sheet in Capital Grants Receipts in Advance under Long Term Liabilities and the amounts at year end are as follows:

	2014-15 £000	2015-16 £000
Capital Grants Receipts in Advance		
Developer's contributions	6,363	8,047
Total (See Balance Sheet p21)	**6,363**	**8,047**

Note 46. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals. The Code distinguishes between impairment loss – which represents the consumption of economic benefit specific to an asset – and revaluation loss – which represent a general decrease in prices. These disclosures are consolidated in Note 9 and Note 14.

There were no impairment losses during the year.

Note 47 Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Council.

With effect from 1 April 2007 local authorities were required to adopt the accounting standards for financial instruments IAS 32, IAS 39 and IFRS 7. This means that most financial instruments (whether borrowing or investments) have to be valued in the Balance Sheet on an amortised cost basis using the effective interest rate (EIR) method.

In addition to help identify, quantify and inform on the exposure to and management of risk, financial instruments are required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In the following tables and notes the significance of financial instruments for the Council's financial position and performance will be explained.

Financial Assets that have passed their due date have been impaired but all have been subject to a review and, where appropriate, provided for within the bad debt provision.

Types of Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2015 £000	**31 March 2016 £000**	**31 March 2015 £000**	**31 March 2016 £000**
Investments				
Loans and receivables (Principal amount)	0	0	152,807	81,222
Accrued Interest	0	0	229	54
Equity Investments	1	1	0	0
Available for sale financial assets	0	0	0	0
Total Investments	**1**	**1**	**153,036**	**81,276**
Debtors				
Loans and receivables	1,717	1,433	26	24
Financial assets carried at contract amounts	0	0	34,475	27,047
Total Debtors	**1,717**	**1,433**	**34,501**	**27,071**
Borrowings				
Financial liabilities at amortised cost (Principal amount)	336,863	310,706	58,134	29,635
Accrued Interest	0	0	5,849	3,551
Total Borrowings	**336,863**	**310,706**	**63,983**	**33,186**
Other long term liabilities				
PFI and finance lease liabilities	194,820	186,559	8,559	8,609
Total other long term liabilities	**194,820**	**186,559**	**8,559**	**8,609**
Creditors				
Financial liabilities carried at contract amounts	0	0	38,296	34,421
Total creditors	0	0	**38,296**	**34,421**

Under accounting requirements the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair value of liabilities and assets carried at amortised cost

The borrowings and investments disclosed on the Balance Sheet are shown at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the net present value of the cash flows that take place over the remaining life of the instruments (all Level 2) which provides an estimate of the value of payments in the future in today's terms. The calculations have been made using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. We have assessed the cost of taking a new loan at

PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).

- For Lender's Option Borrower's Option" (LOBO) loans prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

2014-15 Carrying amount	**2014-15 Fair value**	**Fair value of liabilities carried at amortised cost at 31 March**	**2015-16 Carrying amount**	**2015-16 Fair value**
£000	**£000**		**£000**	**£000**
342,497	439,678	PWLB Loans	288,925	380,497
43,152	52,905	LOBO's	43,137	54,289
5,849	5,849	Short term borrowing	3,551	3,551
4,379	4,379	Cash overdrawn	3,523	3,523
4,619	6,158	Other local authorities re joint services	4,434	6,029
350	350	Other	322	322
203,379	203,379	PFI and finance lease liabilities	195,168	195,168
38,296	38,296	Financial liabilities at contracted amounts	34,421	34,421
642,521	**750,994**	**Total Liabilities**	**573,481**	**677,800**

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

The Council has determined that for PFI scheme and finance lease liabilities the carrying value represents the best estimate of fair value, as the carrying value is based on the effective interest rate of the contract, which reflects the unique risks associated with the contract.

An alternative valuation technique for PWLB loans is where the value is calculated to be equivalent to the cost of the early repayment of outstanding PWLB debt. But if the Council were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging an additional premium for the additional interest that will not now be paid. If this method of valuation had been used in 2015-16 the fair value would be calculated as £422.937m.

2014-15 Carrying amount	**2014-15 Fair value**	**Fair value of assets carried at amortised cost at 31 March**	**2015-16 Carrying amount**	**2015-16 Fair value**
£000	**£000**		**£000**	**£000**
53,700	53,741	Investments	7,238	7,238
99,336	99,339	Investments – cash and cash equivalents	74,038	74,038
1	1	Equity Investments -Integrated Bradford Local Education Partnership (LEP) Ltd	1	1
1,743	1,897	Debtors – loans and receivables	1,457	1,579
34,475	34,475	Financial assets at contracted amounts	27,047	27,047
189,255	**189,453**	**Total Financial Assets**	**109,781**	**109,903**

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Gains and losses on financial instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows.

2014-15 £000	Recognised gains and losses	2015-16 £000
	Recognised in the Comprehensive Income and Expenditure Statement	
	Financial assets: Loans and receivables	
-1,815	Interest income	-1,381
-1,815	**Total income in surplus or deficit on the provision of services**	**-1,381**
	Financial Liabilities measured at amortised cost	
26,891	Interest payable	20,290
19,097	Interest Payable on PFI and Finance leases	18,753
	Recognised in Other Comprehensive Income and Expenditure	
45,988	**Total expense in surplus or deficit on the provision of services**	**39,043**

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:-

a. Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.
b. Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
c. Re-financing Risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
d. Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movement.

Overall procedures for managing risks

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. In July 2003 the Council fully adopted the CIPFA Code of Treasury Management Practices. Each year the Director of Finance presents to the Governance and Audit Committee an Annual Treasury Management Report which covers the Council's current treasury position, borrowing and investment strategies and performance and debt rescheduling.

The annual Treasury Management Strategy which incorporates prudential indicators was approved by Council on 24 March 2015 and is available on the Council's website. Actual performance is also reported after each year.

a. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

It is the policy of the Council set out in the Annual Investment Strategy to place deposits only with a limited number of banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits and maturities with banks and building societies depending on an institution's (such as Moody's or Fitch's) credit rating.

The credit criteria in respect of financial assets held by the Council are as detailed below.

Investment limits

The financial investment limits with the Government, Banks or Building Societies are linked to Moody's, Fitch and Standard and Poors (S&P) ratings, as follows:-

1. The Government through debt management office including deposits, treasury bills and bank government guarantee certificate of deposits – Maximum Investment with any one counter party – no limit.
2. Local Authorities: Maximum Investment with any one counter party – £20 million.
3. Money Market funds including government funds with a Moody's rating of AAA or Fitch AAA: Maximum Investment with any one counter party – £20 million.
4. Any other Bank or Building Society with credit criteria of Moody's rating Aa3 or better, Fitch short term rating of at least F1 and a S&P short term rating of A1 or better: Maximum Investment with any one counter party – £30million.
5. Any Bank or Building Society with credit criteria of Moody's rating A1 or better, Fitch short term of at least F1 and a S & P short term rating of A-1or better Fitch short term rating of F1 and a S & P short term rating of A-1or better: Maximum Investment with any one counter party – £20million.
6. Lower limit with any bank or building society with at least one of the following; Moody rating of A3 or better, Fitch rating of at least F1, S&P rating of A-1 or: Maximum Investment with any one counter party – £7million.
7. National Westminster Bank - maximum limit of £20m.

The full Investment Strategy for 2015-16 was approved by Full Council on 24 March 2015 and is available on the Council's website.

Customers for goods and services are assessed, dependent on materiality, taking into account their financial position, past experience and other factors as appropriate. A bad debt provision has been included in the accounts, to take account of the risk of non-payment (see note 18). As at 31 March 2016, the Council had a balance owing from its customers (mainly service and rent) of £27.047m (£34.475m 31 March 2015). The exposure to default has been assessed and is reflected in a bad debt (or impairment) provision of £11.796m.

At the year end the Council held investments of £81.276m, made up of £7.238m Investments and £74.038m Cash and Cash Equivalents. The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2016 that any losses were likely to crystallise. The Council has not suffered any historical experience of default on any deposits with financial institutions, and does not expect to suffer any defaults on any of its existing deposits and therefore there is no requirement for any impairment of financial assets to be made.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds.

b. Liquidity Risk

The Council manages its liquidity position through the risk management procedures above and through a comprehensive cash flow management system. This seeks to ensure cash is available when needed.

If unexpected movements occur, the Council has ready access to a facility to borrow from the Public Works Loans Board to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

c. Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year and 40% within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The following is an analysis of amounts owed to lenders at the year-end.

31 March 2015 £000	Total Borrowing	31 March 2016 £000
	Source of loan and interest rate range :	
342,497	Public Works Loan Board (3.7% to 10.25%)	288,925
43,152	Commercial Banks (3.2% to 4.5%)	43,137
385,649		**332,062**
	Analysis of loans:	
	Short Term Borrowing	
53,570	Maturing in less than 1year	**25,935**
	Long Term Borrowing	
62,550	Maturing in 2 - 5 years	38,431
39,047	Maturing in 5 - 10 years	43,715
57,364	Maturing in 10 - 15 years	57,396
173,118	Maturing in more than 15 years	166,585
332,079	**Total Long Term Borrowing**	**306,127**
385,649	**Total Borrowing**	**332,062**

The total borrowing shown on the Balance Sheet, page 21, of £335.613m, calculated by adding together short term (£29.486m) and long term borrowing (£306.127m), includes accrued interest of £3.551m, per accounting regulations. Accrued interest is not included in the above table.

d. Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

The current interest rate risk for the Council is summarised below:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on the revenue balances);

- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

According to this investment strategy, if interest rates had been 1% higher at 31 March 2016 with all other variables held constant, the financial effect would be:

31 March 2015 £000	**Effect of 1% increase in interest rates**	**31 March 2016 £000**
0	Increase in interest payable on variable rate borrowings	0
-1,005	Increase in interest receivable on variable rate investments	-728
0	Increase in government grant receivable for financing costs	0
-1,005	**Impact on Surplus or Deficit on the Provision of Services**	**-728**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The Council does not have any borrowings at a variable rate.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price Risk

The Council does not generally invest in equity shares and does not have any material shareholdings in joint ventures or local companies, and it is not therefore subject to price risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 48: Trust Funds and Custodial Money

The Director of Finance acts as treasurer to 19 funds (inclusive of 11 sole trustee charities), held in trust for such purposes as maintenance grants, travel scholarships and book prizes, or for the benefit and care of particular client groups. The fund balances are invested in managed funds, local authority bonds and gilt edged securities and deposit accounts.

£69,573 (£79,630 at 31 March 2015) is also held on behalf of clients who are in residential care. The assets shown below are not owned by the Council and are not included in the Balance Sheet.

Balance 31 March 2015	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2015-16	Income 2015-16	Balance 31 March 2016
£		£	£	£
	Education charities:			
584,859	Charles Semon Educational Foundation	1,750	14,756	597,865
527,041	Bradford area	10,420	15,710	532,331
414,138	Keighley area	400	20,782	434,520
11,980	Housing charities	4	78	12,054
290,509	Charities for the Blind	0	8,688	299,197
1,828,527		**12,574**	**60,014**	**1,875,967**

For those Trust Funds where the Council acts as sole trustee and which at 31 March 2016 had net assets of over £50,000, further details regarding the purpose of the charity and its financial performance are set out below.

Trust Fund and Charity Registration Number	Purpose	Net increase/ -decrease in funds in 2015-16	Balance at 31 March 2016
		£	£
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	13,006	597,865
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	19,841	425,533
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	-4,586	133,871
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	1,877	218,442
Littlemoor Queensbury (519426)	Maintenance of Public Park & Recreation Ground for the benefit and use of Queensbury and the general public	1,727	59,987

There is a statutory requirement for billing authorities to maintain a separate Collection Fund showing the transactions in respect of Council Tax and Business Rates and the way in which these have been distributed to preceptors, central government and the General Fund. Although a separate Income and Expenditure Account is required, the Collection Fund balances are consolidated into the Council's Balance Sheet. Any deficit or surplus at year end that is due to or from the Council is included in the Comprehensive Income and Expenditure Statement. Any amounts due to or from precepting bodies at year-end will not be included in the Collection Fund, but will be included in debtors and/or creditors as appropriate.

The distribution of the Collection Fund surplus/repayment of deficit for Business Rates for 2014-15 has been restated so that it is shown against the correct bodies.

2014-15 £000 Council Tax	2014-15 £000 Business Rates Restated	2014-15 £000 Total Restated	Collection Fund Statement	2015-16 £000 Council Tax	2015-16 £000 Business Rates	2015-16 £000 Total	
			Income				
-176,704	0	-176,704	Due from Council Tax payers (excluding benefits)	-183,714	0	-183,714	*Note 1*
188	0	188	Due in respect of Council Tax benefits	127	0	127	
0	-145,015	-145,015	Due from Business Rate payers	0	-142,510	-142,510	*Note 2*
-176,516	**-145,015**	**-321,531**	**Total Income**	**-183,587**	**-142,510**	**-326,097**	
			Expenditure				
			Precepts:				
144,207	0	144,207	Bradford Council	150,097	0	150,097	
7,300	0	7,300	West Yorkshire Fire and Rescue Authority	7,627	0	7,627	
17,575	0	17,575	Police & Crime Commissioner for West Yorkshire	18,363	0	18,363	
			Business Rates:				
0	68,113	68,113	Payment to Central Government	0	69,916	69,916	
0	1,362	1,362	Payment to West Yorkshire Fire and Rescue Authority	0	1,398	1,398	
0	66,751	66,751	Payment to Bradford Council	0	68,518	68,518	
0	734	734	Costs of Collection	0	738	738	
0	1,607	1,607	Transitional Protection Payments	0	703	703	
3,731	2,837	6,568	Write-offs of Uncollectable Amounts	2,592	3,041	5,633	
0	5,908	5,908	Settlement of Appeals	0	10,034	10,034	
1,325	909	2,234	Contribution to / from (-) Provision for Losses on Bad & Doubtful Debts	1,853	197	2,050	*Note 3*
0	3,027	3,027	Contribution to / from (-) Provision for Losses on Appeals	0	-3,120	-3,120	*Note 4*
			Distribution of Collection Fund Surplus/Repayment of Deficit:				
2,351	-2,497	-146	Bradford Council	2,000	203	2,203	
121	-51	70	West Yorkshire Fire and Rescue Authority	101	4	105	
287	0	287	Police & Crime Commissioner for West Yorkshire	244	0	244	
-	-2,548	-2,548	Central Government	0	208	208	
176,897	**146,152**	**323,049**	**Total Expenditure**	**182,877**	**151,840**	**334,717**	
381	**1,137**	**1,518**	**Net movement (surplus (-)/deficit) in the fund balance**	**-710**	**9,330**	**8,620**	*Note 5*
			Movements on the Collection Fund Balance				
-2,774	**13,414**	**10,640**	**Balance at beginning of year**	**-2,393**	**14,551**	**12,158**	
324	557	881	Bradford's share of surplus (-) /deficit for the year	-606	4,572	3,966	*Note 5*
57	12	69	Preceptors' share of surplus (-) /deficit for the year	-104	93	-11	*Note 5*
0	568	568	Central Government's share of surplus (-) /deficit for the year	0	4,665	4,665	*Note 5*
-2,393	**14,551**	**12,158**	**Balance at end of year**	**-3,103**	**23,881**	**20,778**	
			Allocated to:				
-2,036	7,130	5,094	Bradford Council	-2,642	11,702	9,060	
-105	146	41	West Yorkshire Fire and Rescue Authority	-135	239	104	
-252	0	-252	Police & Crime Commissioner for West Yorkshire	-326	0	-326	
0	7,275	7,275	Central Government	0	11,940	11,940	
-2,393	**14,551**	**12,158**		**-3,103**	**23,881**	**20,778**	

Note 1. Council Tax

Council Tax income is generated from charges raised on residential properties. Each domestic property is assigned to one of eight bands A-H depending on its capital value. (Band A* properties are properties in Band A entitled to disabled relief reduction). Properties in higher bands are charged more, although the charges may be reduced by Council Tax reduction and/or single occupier discount.

Properties in the middle band, D, were charged at £1,351.60 in 2015-16 (£1,329.57 in 2014-15) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

The Council Tax base for 2015-16 was 130,280 (127,170 in 2014-15). The tax base for 2015-16 was approved at the Executive meeting on 13 January 2015 and was calculated as follows:

2014-15 Band D Equivalent		Band	2015-16 Number of chargeable dwellings	Multiplier	2015-16 Band D Equivalent
9		A*	96	5/9	53
35,883		A	55,289	6/9	36,859
25,926		B	34,120	7/9	26,538
28,046		C	31,975	8/9	28,422
14,747		D	15,070	9/9	15,070
12,929		E	10,851	11/9	13,262
7,327		F	5,278	13/9	7,623
5,410		G	3,277	15/9	5,461
290		H	235	18/9	469
130,567	Total Band D equivalent				133,757
-3,397	Adjustment for estimated losses on collection				-3,477
127,170	**Council Tax Base**				**130,280**

Note 2. Business Rates (National Non-Domestic Rates)

The Council collects business rates on behalf of central government for its area. The rate in the pound of rateable value is set by central government. There are two multipliers: the small business non-domestic rating multiplier of 48.0p (47.1p in 2014-15) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 49.3p (48.2p in 2014-15) includes the supplement to pay for small business relief.

In 2013-14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain 49% of the total Business Rates received. Of the remainder, 50% is paid to Central Government and 1% is paid to West Yorkshire Fire and Rescue Authority (WYFRA).

The business rates shares payable for 2015-16 were estimated before the start of the financial year as £69.916m to Central Government, £1.398m to WYFRA and £68.518m to Bradford Council. These sums have been paid in 2015-16 and charged to the Collection Fund in year.

The total income from business rate payers collected in 2015-16 was £142.510m (£145.015m in 2014-15). This sum includes £0.703m of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government.

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £388,095,364 for 2015-16 (£379,349,488 for 2014-15).

Note 3. Provision for Council Tax and Business Bad Debts

In 2015-16, the total provision for Council Tax bad debts was increased by £1.853m, from £12.052m to £13.905m. Of the final balance, 85% is to cover Council Tax owed to the Council. The remaining 15% is to cover amounts owed to major preceptors.

In 2015-16, the total provision for Business Rates bad debts was increased by £0.197m, from £5.931m to £6.128m. Of the final balance, 49% is to cover Business Rates owed to the Council. The remaining 51% is to cover amounts owed to Central Government (50%) and West Yorkshire Fire and Rescue Authority (1%).

Note 4. Provision for Losses on Appeals

From 1 April 2013, the Council shares 49% of the risks and rewards of the income from Business Rates. The Council could potentially receive a shortfall in income from changes in the valuations of commercial premises, following appeals to the Valuation Agency. In 2015-16, the provision for losses on outstanding appeals was reduced by £3.120m, from £15.359m at 31 March 2015 to £12.239m at 31 March 2016. The Council's 49% share of the £12.239m provision was £5.997m.

Note 5. Collection Fund Balance

An accumulated surplus on the Collection Fund is attributable to amounts that are deemed to be collectable, but which have not yet been collected. In line with proper accounting practice for Council Tax, Business Rates and the Collection Fund, any surplus or deficit in year must be allocated in year to the Council and the preceptors in the required proportions. However, in order to reflect the fact that the Council is not allowed by statutory legislation to either fund deficits or use surpluses in year, the distribution is offset by an entry to the Collection Fund Adjustment Account in the Council's Balance Sheet. This change does not therefore affect the statutory position, which is that any surplus or deficit on the Collection Fund must be used as an adjustment to the Council Tax and Business Rates in future years.

An overall deficit of £8.620m arose in 2015-16 (£1.518m deficit in 2014-15), of which the Council's share was a deficit of £3.966m (£0.881m deficit in 2014-15); Central Government's share was a deficit of £4.665m (£0.568m deficit in 2014-15); and the preceptors share was a surplus of £0.011m (£0.069m deficit in 2014-15).

Note 6. Leeds City Region Pooling Arrangement

The Council is a Member of the Leeds City Region Pool along with the other four West Yorkshire Authorities, Harrogate and York. Under the terms of the pooling arrangement, during the year, each authority will receive exactly the same funding as they would have if treated individually. The distribution of any levy income is retained in the region as opposed to being paid over to the Government.

West Yorkshire Pension Fund

2014-15 Restated £000	Fund account	2015-16 £000	*Note*
	Dealings with members, employers and others directly involved in the Fund		
368,058	Contributions receivable	372,724	*6*
15,670	Transfers in	20,371	*7*
23,833	Non-statutory pensions and pensions increases recharged	23,475	*9*
407,561		**416,570**	
-437,058	Benefits payable	-456,101	*11*
-23,833	Non-statutory pensions and pensions increases	-23,475	*9*
-181,468	Payments to and on account of leavers	-20,733	*8*
-642,359		**-500,309**	
-7,278	**Management expenses**	**-7,499**	*13*
	Returns on investments		
294,110	Investment income	314,619	*14*
-165	Taxes on income	-3,538	
896,453	Profit and losses on disposal of and changes in value of investments	-331,145	*17*
2,094	Stock lending	3,008	*17*
0	Underwriting commission	49	
1,192,492	**Net return on investments**	**-17,007**	
950,416	**Net Increase/Decrease in the net assets available for benefits during the year**	**-108,245**	
10,368,809	**Opening net assets of the scheme**	**11,319,225**	
11,319,225	**Closing net assets of the scheme**	**11,210,980**	

The 2014-15 Management expenses (£81k) and Investment income (£81k) figures have been restated due to new CIPFA disclosure guidelines which were introduced during the 2015-16 reporting period.

31st March 2015 £000	Net assets statement	31st March 2016 £000	Note
	Investment assets		
1,096,230	Fixed interest securities	1,129,723	*17*
7,974,012	Equities (including convertible shares)	7,896,646	*17*
608,117	Index-linked securities	580,259	*17*
1,354,482	Pooled investment vehicles	1,389,330	*17*
6,000	Direct Property	6,500	*17*
181,000	Cash deposits	126,100	*17*
41,056	Other investment balances	40,689	*17*
	Investments liabilities		
-6,000	Other investment balances	-5,950	*17*
11,254,897	**Investments at 31st March**	**11,163,297**	
	Current assets		
49,384	Debtors	50,345	*20*
25,012	Cash balances (not forming part of the investment assets)	8,763	
	Current liabilities		
-10,068	Creditors	-11,425	*21*
64,328	**Net current assets and liabilities**	**47,683**	
11,319,225	**Net assets of the scheme at 31st March**	**11,210,980**	

The financial statements for West Yorkshire Pension Fund does not take account of liabilities to pay pensions and other benefits after 31st March 2016. This financial statement shows the net value of assets owned by the Fund, the actuarial calculation of the present value of promised retirement benefits is provided in note 12.

.

Note 1. Operations and Membership

The West Yorkshire Pension Fund (WYPF) provides for the payment of defined pension benefits to members or their dependants, from participating employers. It publishes its own detailed report and accounts document, which is available on the WYPF website address www.wypf.org.uk.

Administering Authority – City of Bradford Metropolitan District Council is the administering authority for the Fund, and as such has statutory responsibility for the management and administration of the Fund. The Fund's entire investment portfolio is managed on a day to day basis in-house supported by the Fund's external advisers.

Legal Status – It is a statutory scheme and the benefits are paid out under the provisions of the Local Government Pension Scheme Regulations as amended. Contributing members are contracted out of the State Earnings Related Pension Scheme. Exempt approval has been granted by HM Revenue and Customs for the purposes of the Income and Corporation Taxes Act.

The scheme is governed by the Public Service Pensions Act 2013.
The Fund is administered in accordance with the following secondary legislation:

f) The Local Government Pension Scheme Regulations 2013 (as amended)
g) The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
h) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Management – The West Yorkshire Pension Fund Joint Advisory Group is responsible for advising on the administration of the Fund. The group is made up of three elected members from each of the five West Yorkshire Metropolitan District Councils (MDCs), three Trade Union representatives and two Scheme members. The Investment Advisory Panel is responsible for advising on the investment of the Fund and comprises two elected members from each of the five West Yorkshire Metropolitan District Councils, three trade union representatives, two external investment advisors, two scheme members, the Director – West Yorkshire Pension Fund and a Chief Financial Officer from the West Yorkshire District Councils on a two year rotational basis.

Participating employers – There were 404 participating employers at 31st March 2016 (383 employers as at 31st March 2015) whose employees were entitled to be contributors to the Fund.

Membership – Total membership as at 31st March 2016 is 278,951 (figure for 31st March 2015 is 268,780).

2014-15	Profile of membership	2015-16
97,548	Active members	100,927
82,148	Pensioner members	82,966
89,084	Members with preserved pensions	95,058
268,780	**Total members**	**278,951**

Benefits payable – On 1st April 2014, LGPS pensions became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with Consumer Prices Index. Prior to April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:-

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one off tax free cash payment. A Lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2. Actuary's Report

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund's assets at that date (of £9,956.7M) covering 96% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2014 was:

- 14.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2014, amounting to £26.5M in 2014/15, and increasing by 3.9% p.a. thereafter.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement in force at the time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled Bodies	5.6% p.a.
Orphan Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Orphan Bodies	3.6% p.a.
Rate of pay increases (in addition to promotional increases)	3.9% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 31 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Preparation for the actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.

8. This Statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, City of Bradford Metropolitan District Council, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:

http://www.wypf.org.uk/Member/Publications/Valuation/WYPF/Valuation_WYPF_Index.aspx

Aon Hewitt Limited

May 2016

Note 3. Accounting policies

Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2015/16 financial year and its position at year-end as at 31st March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided in by our actuary in note 12.

Contributions

Employer contributions are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. Employee contribution rates are set out in section 9, Local Government Pension Scheme Regulations 2013 and are reviewed annually. Employer deficit funding contributions are accounted for on the due dates on which they are payable. Employers have met the indirect costs of early retirement. These costs are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as a current assets debtors.

Transfers in and out of the Fund

Transfer values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations.
Transfers in or out, including bulk transfers, are accounted for when received or paid, which is normally when the member liability is accepted or discharged.

Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

Management expenses

Total management expense is made up of administration, oversight and governance, and investment management expenses.

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff of the pension's administration team are charged direct to the Fund. Associated management accommodation and other overheads are apportioned to administrative expenses using relevant factors and charged as expenses to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. Associated management costs and other overheads are apportioned to oversight and governance activities using relevant factors and charged as expenses to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees charged by external advisors and custodian are agreed in the respective mandates governing their appointment. The custodian fees are based on the market value of the investments under their custodianship and therefore increase or reduce as the value of the investments change. The fees of the external advisors increase by RPI on an annual basis. In addition, the Fund has engaged WM - State Street Global Services to report on the performance of the Fund, the charge for this service is included in investment management expenses.

The cost of the Fund's in-house investment fund management team are charged direct to investment management expense and a proportion of the Fund's management costs which represents management time spent by officers on investment management is also charged to investment management expenses.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 12)

Cash and cash equivalents

Cash comprises of cash in hand and on demand deposits.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

Investment income

Interest income

Interest due on fixed-interest securities, index-linked securities and short-term investments is accounted for on an accruals basis.

Property related income

Property related income is primarily rental income which is recognised on a straight line basis over the term of the lease. Lease incentives (rent free periods) have been recognised as part of the total rental income over the term of the lease.

Dividend income

Dividend income is recognised on the date the shares are quoted ex dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distribution from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Movement in the net market value of investments

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the accounting period.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as expense as it arises.

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date with the exception of any assets classified as loans and receivables, which are stated at nominal value. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

Valuation methodology

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a transaction between willing parties, other than in a forced or liquidation sale.

The methodologies adopted in valuing financial instruments are explained in greater detail in note 19 to the accounts.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful.

Readers of these financial statements are thus advised to use caution when using this data to evaluate the Fund's financial position.

Fair value information is not provided for items that do not meet the definition of a financial instrument.

Loans and receivables

The fair value of deposits is considered to be equal to their carrying value. Receivables are disclosed at their carrying value, and no discounting is performed on amounts receivable more greater than 12 months as these are adjusted rental incomes for rent free periods on investment properties.

Additional Voluntary Contributions (AVCs)

West Yorkshire Pension Fund provides additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Scottish Widows, Prudential and Equitable Life as its AVC providers. AVC's are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only, this is provided in note 10.

Currency translation

At the year end all foreign currency balances are translated into Sterling at exchange rates ruling at the financial year-end and any gains or losses arising are treated as part of the change in market value of investments. During the year foreign currencies are transacted as follows:

a.) Foreign currency purchases are translated into Sterling at the actual purchase rate, all commissions are charged as expense to management costs.

b.) Proceeds of sales of foreign assets are translated into Sterling

    a. If there have been transactions in the same currency in the last 30 days, then the latest recorded transaction rate is used.

    b. Else the mid-market rate on the date of receipt is used.

c.) Purchase of foreign investments are translated into Sterling using the rate at which the foreign currency was purchased or translated to Sterling.

d.) Balance of foreign currency income accounts are moved to capital account using the mid-market rate on the date of movement.

e.) Dividends from foreign investments are translated into Sterling using the mid-market rate on the date of receipt.

f.) When currency are sold we use the actual sale rate and commissions are charged to management expense.

Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

Netting

A financial asset and a financial liability are offset and the net amount presented in the Net Assets Statement when, and only when, the Fund:

a) currently has a legally enforceable right to set off the recognised amounts, and
b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in note 24.
Undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, property and infrastructure parts of the portfolio. The amounts "called" by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Investment transactions
Investment transactions occurring up to 31st March 2016 but not settled until later are accrued in the accounts.

Note 4. Critical accounting estimates, judgements and assumptions made about the future and other major sources of estimation uncertainty

The preparation of the Fund's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements made by management in applying the Fund's accounting policies and key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Fund's results and financial position, are explained below.

a) Fair value of financial instruments

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 19. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

b) Retirement benefit obligations

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed in note 12 and is not shown in the primary financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in note 12.

Note 5. Events after the Balance sheet

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Two types of events can be identified:

a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period), and

b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period)

There have been no such events since 31 March 2016, and up to the date when these accounts were authorised that require disclosure or any adjustments to these accounts.

Note 6. Contributions receivable by category:

Contributions from employers and employees:

2014-15 £000	Analysis of contributions received	2015-16 £000
259,528	Employers	262,685
108,530	Employees	110,039
368,058	**Total contributions received**	**372,724**

Contributions receivable by type of employer:

2014-15 £000	Analysis by type of employer	2015-16 £000
49,791	Administering Authority	48,289
281,946	Scheduled bodies	283,909
36,321	Admitted bodies	40,526
368,058	**Total contributions received**	**372,724**

Contributions are further analysed by type of contribution:

2014-15 £000	Contributions received by type	2015-16 £000
239,617	Employers normal contributions	242,691
104,965	Employees normal contributions	105,659
3,565	Employees additional contributions	4,380
19,888	Employers deficit contributions	19,994
23	Employers augmentation contributions	0
368,058	**Total contributions received**	**372,724**

Employers' contribution rates and deficit contributions

At the triennial valuation (31 March 2013) the Actuary calculated an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. For 2015/16 the rates start at 5.5% payable by employees with salaries up to £13,500 a year, and the highest rate is 12.5% to be paid on salaries over £151,800 a year.

Additional voluntary contributions

The Fund has made provision for employees to make additional voluntary contributions (AVCs) under AVC Schemes with Equitable Life, Scottish Widows and Prudential. All contributions by employees to the AVC schemes are made direct to Equitable Life, Scottish Widows and Prudential, further details of which are shown in note 10.

Note 7. Transfers in

2014-15 £000	Transfers in from other pension funds	2015-16 £000
14,670	Individual transfers in from other schemes	20,371
1,000	Bulk transfers in from other schemes	0
15,670	**Total transfers in**	**20,371**

Note 8. Payments to and on account of leavers

2014-15 £000	Payments to and on account of leavers	2015-16 £000
-452	Refund of contributions	-979
-10,763	Individual transfers out to other schemes	-18,205
-170,253	Bulk transfers out to other schemes	-1,549
-181,468	**Total transfers out**	**-20,733**

In the reporting period 2014/15 the Greater Manchester Pension Fund (GMPF) was chosen by the Ministry of Justice to administer the LGPS in respect of the National Probation Service, for this reason a bulk transfer of liabilities (£170m) relating to the Probation Service was made to GMPF

Note 9. Non-statutory pensions and pensions increase recharged

2014-15 £000	Non-statutory pensions and pensions increase recharged	2015-16 £000
23,833	**Pensions**	**23,475**

The costs of added years granted by participating employers for early retirement together with associated inflation proofing costs are reimbursed to the Fund, by the employer, out of current revenues.

Costs of annual inflation proofing for non-participating employers are also recharged.

Note 10. AVC scheme with Equitable Life, Scottish Widows and Prudential

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Equitable Life Assurance, Scottish Widows and Prudential, whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.
As advised by the three companies the amounts administered under AVC arrangements are as follows:

2014-15 £000	Additional voluntary contributions	2015-16 £000
21,879	Value of funds at 1st April	24,282
4,304	Contributions received	4,604
32	Transfers and withdrawals	43
0	Internal transfers	0
2,081	Interest and bonuses / change in market value of assets	-79
-4,253	Sale of investments to settle benefits due to members	-4,641
24,043	**Value of fund at 31st March**	**24,209**

The aggregate amounts of AVC investments are:-

2014-15 £000	AVC investments	2015-16 £000
3,003	Equitable Life	2,772
8,257	Prudential	9,779
12,783	Scottish Widows	11,658
24,043	**Total**	**24,209**

Note 11. Benefits payable

2014-15 £000	Analysis of benefits payable	2015-16 £000
	Funded pensions	
-314,890	Retired employees	-330,091
-27,198	Dependants	-27,799
	Funded lump sums	
-85,377	On retirement	-87,235
-9,593	On death	-10,976
-437,058	**Total Benefits Payable**	**-456,101**

The total benefits payable are further analysed by type of member body.

2014-15 £000	Analysis of benefits payable by member body	2015-16 £000
-68,368	Administering Authority	-67,904
-310,113	Scheduled bodies	-298,792
-43,110	Admitted bodies	-45,181
-15,467	Other interested bodies with no pensionable employees	-44,224
-437,058	**Total benefits payable**	**-456,101**

For participating employers, all basic pensions plus the costs of annual inflation are met from the assets of the fund.

Note 12. Actuarial present value of promised retirement benefits

Introduction

The Fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the Fund as a whole.

The Fund provides defined benefits, which for membership to 31st March 2016, are based on members' Final Pensionable Pay.

The required valuation is carried out by the Fund Actuary, Aon Hewitt using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at triennial funding valuation. (Actuarial statement p102)

The information set out below relates to actuarial present value of the promised retirement benefits in the Fund.

Actuarial present value of promised retirement benefits

Paragraph 6.5.2.7 of CIPFA's Code of Practice on local authority accounting for 2015/16 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31st March 2013 together with the 2010 figures are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

	Value as at 31st March 2013 £M	Value as at 31st March 2010 £M
Fair value of net assets	**9,940.3**	**7,916.91**
Actuarial present value of the promised retirement benefits	**12,259.3**	**11,726.54**
Surplus / (deficit) in the Fund as measured for IAS26 purposes	**(2,319.0)**	**(3,809.63)**

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31st March 2013. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31st March 2013 (% p.a.)	31st March 2010 (% p.a.)
Discount rate	4.5	5.5
RPI Inflation	3.4	3.9
CPI Inflation	2.4	3.0
Rate of increase to pensions in payment*	2.4	3.9
Rate of increase to deferred pensions*	2.4	3.9
Rate of general increase in salaries **	3.9	5.4

* *In excess of Guaranteed Minimum Pension increases in payment where appropriate*

** *In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31st March 2013.*

The assumptions to which the actuarial present value of promised retirement benefits are most sensitive are the discount rate, net of pay and pension increases, and the longevity improvement assumption.

Principal demographic assumptions

Post retirement mortality	31st March 2013	31st March 2010
Males		
Base table	Standard SAPS Normal Health All Amounts (S1NMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105%	105%
Allowance for future improvements	CMI 2012 with a long term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	22.5	21.7
Future lifetime from age 65 (currently aged 45)	24.7	23.6
Females		
Base table	Standard SAPS Normal Health All Amounts tables (S1NFA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	100%	105%
Allowance for future improvements	CMI 2012 with a long term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	25.4	23.9
Future lifetime from age 65 (currently aged 45)	27.7	25.9

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

** The scaling factors shown apply to normal health retirements.

	31st March 2013	31st March 2010
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service is 75% of the permitted maximum.	Each member is assumed to exchange 50% of the maximum amount permitted, of their past service pension rights on retirement, for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted, of their future service pension rights on retirement, for additional lump sum.

Changes in benefits during the accounting period There have been no changes in benefits during the accounting period. No allowance has been made in our calculations for the new Scheme benefits accruing from 1st April 2014.

Note 13. Management Expenses

Restated 2014-15 £000	Management expenses	2015-16 £000
-4,054	Administration costs	-3,818
-2,580	Investment Management expenses	-2,998
-644	Oversight and Governance	-683
-7,278	**Total administrative expenses**	**-7,499**

2014/15 Investment management figure has been restated due to reclassification of direct property cost £81k.

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Investment management expenses above includes £32k (2014/15 £24k) in respect of performance related fees paid and also a statutory audit fee of £48k (2014-15 £48k). No other fees have been paid to the external auditor.

Note 14. Investment income

Restated 2014-15 £000	Investment income	2015-16 £000
39,016	Income from fixed interest securities	41,343
229,428	Dividends from equities	246,768
6,963	Income from index-linked securities	5,451
16,653	Income from pooled funds	19,408
67	Income from Direct Property	415
1,983	Interest on cash deposits	1,234
294,110	**Total investment income**	**314,619**

Investment income 2014/15 has been restated due to new CIPFA guidelines relating to management costs, (£81k) some costs that were previously charged against investment income have now been charged to management costs.

Analysis of investment income accrued

	2015 Restated UK £000	**2016 UK £000**	2015 Restated NON UK £000	2016 NON UK £000	**2015 Restated GLOBAL £000**	**2016 GLOBAL £000**	**2015 Restated TOTAL £000**	**2016 TOTAL £000**
Fixed Interest Securities	8,241	9,703	1,924	1,964	0	0	10,165	11,667
Equities	20,532	24,668	328	1,135	0	0	20,860	25,803
Index Linked Securities	1,661	245	198	95	0	0	1,859	340
Pooled Investment Vehicles	0	0	0	0	0	0	0	0
Direct Property Holdings	67	311	0	0	0	0	67	311
Cash & Cash equivalents	482	396	0	0	32	0	514	396
Total	**30,983**	**35,323**	**2,450**	**3,194**	**32**	**0**	**33,465**	**38,517**

Investment income accrued for 2014/15 has been restated to provide the data in line with the asset classes used within the financial statements.

Note 15. Investment expenses

2014-15 £000	Investment expenses	2015-16 £000
-2,172	Internal management costs	-2,573
-408	Custody fees	-425
-2,580	**Total**	**-2,998**

Note 16. Direct Property Holdings

2014-15 £000	Investment expenses	2015-16 £000
0	**Opening balance**	6,000
	Additions:	
6,387	Purchases	25
0	Construction	0
0	Subsequent expenditure	0
0	Disposals	0
-387	Net Increase/ decrease in market value	475
0	Other changes in fair value	0
6,000	**Closing value**	**6,500**

Note 17. Investments

Movement in the value of investments in 2015-16

Investments	Opening value at 1st April 2015	Purchases at cost	Sale proceeds	Change in market value	Closing value at 31st March 2016
	£000	£000	£000	£000	£000
Fixed interest securities	1,096,230	240,122	-195,662	-10,967	1,129,723
Equities	7,974,012	706,523	-434,945	-348,944	7,896,646
Index-linked securities	608,117	124,716	-153,779	1,205	580,259
Pooled Funds	1,354,482	72,825	-65,063	27,086	1,389,330
Direct Property	6,000	25	0	475	6,500
Cash deposits	181,000	0	-54,900	0	126,100
Other investment assets	41,056	0	-367	0	40,689
Other investment liabilities	-6,000	50	0	0	-5,950
Total investments	**11,254,897**	**1,144,261**	**-904,716**	**-331,145**	**11,163,297**

Comparative movements in the value of investments for 2014-15:

Investments	Opening value at 1st April 2014	Purchases at cost	Sale proceeds	Change in market value	Closing value at 31st March 2015
	£000	£000	£000	£000	£000
Fixed Interest Securities	956,929	309,177	-240,453	70,577	1,096,230
Equities	7,162,619	555,215	-367,248	623,426	7,974,012
Index-linked Securities	598,625	80,563	-156,113	85,042	608,117
Pooled Funds	1,189,911	249,519	-202,743	117,795	1,354,482
Direct Property	0	6,387	0	-387	6,000
Cash Deposits	318,967	0	-137,967	0	181,000
Other Investment assets	87,526	0	-46,470	0	41,056
Other Investment liabilities	-7,675	1,675	0	0	-6,000
Total Investments	**10,306,902**	**1,202,536**	**-1,150,994**	**896,453**	**11,254,897**

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.
The cash deposits balance represents a current element of the investment assets.

2014-15 £000	Analysis of investments closing market values	2015-16 £000
	Fixed interest securities:	
624,515	Public sector quoted	657,199
444,632	Other quoted	453,431
27,083	Unquoted	19,093
1,096,230		**1,129,723**
	Equities:	
7,346,627	Quoted	7,156,337
627,385	Unquoted	740,309
7,974,012		**7,896,646**
	Index linked securities:	
567,020	Public sector quoted	558,032
41,097	Other quoted	22,227
608,117		**580,259**
	Pooled investment vehicles:	
258,655	Hedge funds	228,660
474,834	Property	542,902
620,993	Other	617,768
1,354,482		**1,389,330**
6,000	Direct Property	**6,500**
181,000	Cash deposits	**126,100**
41,056	Other Investment assets	**40,689**
-6,000	Other Investment liabilities	**-5,950**
11,254,897	**Total**	**11,163,297**

Geographical analysis of investments held as at 31st March 2016

	2016 UK	2016 Non UK	2016 Global	2016 Total
	£m	£m	£m	£m
Fixed Interest Securities	891.3	238.4	0.0	1,129.7
Equities	3,790.5	3,587.3	518.8	7,896.6
Index Linked Securities	522.9	57.4	0.0	580.3
Pooled Investment Vehicles	613.9	473.4	302.1	1,389.4
Property (direct holdings)	6.5	0.0	0.0	6.5
Cash and cash equivalents	126.1	0.0	0.0	126.1
Total	**5,951.2**	**4,356.5**	**820.9**	**11,128.6**

Comparative geographical analysis as at 31st March 2015

	2015 UK	2015 Non UK	2015 Global	2015 Total
	£m	£m	£m	£m
Fixed Interest Securities	869.7	226.5	0.0	1,096.2
Equities	3,895.6	3,590.6	487.9	7,974.1
Index Linked Securities	551.5	56.6	0.0	608.1
Pooled Investment Vehicles	558.4	480.8	315.3	1,354.5
Property (direct holdings)	6.0	0.0	0.0	6.0
Cash and cash equivalents	181.0	0.0	0.0	181.0
Total	**6,062.2**	**4,354.5**	**803.2**	**11,219.9**

Concentration of Investments

Statement of Recommended Practice for Pension Funds (SORP) and Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investment exceeds 5% of the value of the scheme. Those which exceed 5% of a class of security are listed below:

2014-15 £000	Single investments with a value of greater than 5% of the asset class	2015-16 £000
	Fixed interest securities:	
56,965	Treasury 3.25% 2044	56,836
	Index linked securities:	
42,234	Treasury 2020	n/a
35,674	Treasury 2022	35,280
35,471	Treasury 2024	35,367
n/a	Treasury 2026	41,144
71,001	Treasury 2029	93,397
34,305	Treasury 2030	n/a
52,711	Treasury 2034	58,241
38,687	Treasury 2040	39,026
43,603	Treasury 2044	38,945
n/a	US Treasury	37,745
	Managed and Unitised Funds:	
78,192	Aurum ISIS Sterling Fund	77,644
86,081	QIP Ltd	83,249
	Direct Property	
6,000	Aldermanbury House	6,500

n/a = no investments

Stock Lending

2014-15	Analysis of stock lending		2015-16
£000			£000
51	Income	- Fixed interest	52
737		- UK equities	1,020
1,358		- International equities	1,993
-52	Expenditure		-57
2,094	**Total**		**3,008**

At 31st March 2016, £915.0 million of stock was on loan to market makers, (31st March 2015 £631.4m) and this was covered by collateral totalling £974.0 million, (31st March 2014 £702.8m). The collateral was comprised of UK & International Government Bonds £362.2m, (31st March 2015, £202.3m) International Equities £411.5 m, (31st March 2015, £267.4m), UK Equities £199.8m, (31st March 2015 £233.0m), Cash £0.3m (31st March 2015 nil) and Certificates of Deposit £0.4m (31st March 2015, £0.1m). The total amount on loan is fully indemnified by our custodian.

Note 18. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading as at 31st March 2016

	Classified as at fair value through profit & loss	Loans and receivables	Financial assets/ liabilities at amortised cost	Total financial assets / liabilities
Financial Assets	**£000**	**£000**	**£000**	**£000**
Fixed interest securities	1,129,723	0	0	1,129,723
Equities	7,896,646	0	0	7,896,646
Index-linked securities	580,259	0	0	580,259
Pooled investment vehicles	1,389,330	0	0	1,389,330
Cash deposits (Investments)	0	126,100	0	126,100
Cash balances (not forming part of the investment assets)	0	8,763	0	8,763
Other investment balances	40,689	0	0	40,689
Debtors	0	50,345	0	50,345
Total financial assets	**11,036,647**	**185,208**	**0**	**11,221,855**
Financial Liabilities				
Other investment balances	-5,950	0	0	-5,950
Creditors	0	0	-11,425	-11,425
Total financial liabilities	**-5,950**	**0**	**-11,425**	**-17,375**

All net gains or losses on financial instruments are on those classified as financial assets at fair value through profit or loss.

Comparative of Financial instrument classification as at 31st March 2015

	Classified as at fair value through profit & loss	Loans and receivables	Financial assets/liabilities at amortised cost	Total financial assets / liabilities
Financial assets	**£000**	**£000**	**£000**	**£000**
Fixed interest securities	1,096,230	0	0	1,096,230
Equities	7,974,012	0	0	7,974,012
Index-linked securities	608,117	0	0	608,117
Pooled investment vehicles	1,354,482	0	0	1,354,482
Cash deposits (Investments)	0	181,000	0	181,000
Cash balances (not forming part of the investment assets)	0	25,012	0	25,012
Other investment balances	41,056	0	0	41,056
Debtors	0	49,384	0	49,384
Total	**11,073,897**	**255,396**	**0**	**11,329,293**
Financial liabilities				
Other investment balances	-6,000	0	0	-6,000
Creditors	0	0	-10,068	-10,068
Total	**-6,000**	**0**	**-10,068**	**-16,068**

All net gains or losses on financial instruments are on those instruments classified as financial assets at fair value through profit or loss.

Note 19. Financial instruments – valuation

Valuation of financial instruments carried at fair value.

The valuations of financial instruments have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Financial assets classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.

Level 2

Level 2 valuations are those where quoted market prices are not available, for example where the instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Financial assets classified as level 2 are property funds.

Valuations for Property Funds are provided by Fund managers and where available closing bid price is used. Property valuations are normally undertaken by the Property Trusts' own valuers. The values disclosed in the financial statements are extracted from valuation statements issued by the Property Trusts. Valuations are performed in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation Standards (The Red Book), or the international equivalent.

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and fund of hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US Generally Accepted Accounting Practice (GAAP). Valuations are performed annually and mainly as at the end of December. Cash flow adjustments are used to roll forward the valuations to 31st March as appropriate.

The values of investments in Hedge Funds are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of fund performance in March, as informed by fund managers. We gain assurance over valuations provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.

The table below provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's Net Asset Statement, grouped into levels 1 to 3, based on the degree to which the fair value is observable.

Valuation hierarchy as at 31st March 2016

	31st March 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through profit & loss	9,550	543	944	11,037
Loans and receivables	126	0	0	126
Total financial assets	**9,676**	**543**	**944**	**11,163**
Financial liabilities				
Financial liabilities at fair value through profit & loss	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

Valuation hierarchy as at 31st March 2015

	31st March 2015			
	Restated Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through profit & loss	9,686	475	913	11,074
Loans and receivables	181	0	0	181
Total financial assets	**9,867**	**475**	**913**	**11,255**
Financial liabilities				
Financial liabilities at fair value through profit & loss	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

Financial assets at fair value through profit and loss 2014/15 has been restated to include other investment balances

Note 20. Current assets

2014-15 £000	**Current assets (Debtors)**	**2015-16 £000**
	Debtors	
26,420	Contributions due from employees and employers	26,382
22,964	Other debtors	23,963
49,384	**Total current assets**	**50,345**

Further analysis by type of body:

2014-15 £000	**Current assets by type of body**	**2015-16 £000**
74	Central government bodies	55
41,886	Other local authorities	42,959
80	NHS bodies	55
1,393	Public corporations and trading funds	1,161
5,951	Bodies external to general government	6,115
49,384	**Total current assets**	**50,345**

Note 21. Current liabilities

2014-15 £000	Current liabilities	2015-16 £000
	Creditors	
-6,108	Unpaid benefits	-6,206
-3,960	Other current liabilities	-5,219
-10,068	**Total current liabilities**	**-11,425**

Further analysis by type of body:

2014-15 £000	Current liabilities by type of body	2015-16 £000
-3,960	Central government bodies	-4,247
0	Other local authorities	0
0	NHS bodies	0
0	Public corporations and trading funds	0
-6,108	Bodies external to general government	-7,178
-10,068	**Total current liabilities**	**-11,425**

Note 22. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension Fund risk management programme.

The management of risk is set out in the Fund's Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at www.wypf.org.uk

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure that the Fund's investment portfolio, which is managed in-house, agrees with policy and strategy with regard to asset allocation.

The Fund routinely monitors all risks in accordance with the Fund's risk management strategy.

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's equity holdings are spread across more than 300 UK companies, almost 900 foreign companies, and a range of unit trusts and managed Funds.

Risk is controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an Investment Strategy Review for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations from it.

Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's actuary.

Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short are unlimited.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period.

Asset type	2015-16 Potential market movement +/- (%pa)	2014-15 Potential market movement +/- (%pa)
UK equities	10.4	10.2
Overseas equities	9.6	8.9
UK gilts	6.1	6.0
UK corporate bonds	4.8	5.1
UK index-linked	7.3	7.7
Overseas bonds	9.1	8.8
Alternatives (universe)	4.4	5.3
Property	1.7	3.3
Cash	0.2	0.1

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

This can then be applied to the period end asset mix as follows:

Asset type	Value as at 31st March 2016	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	4,394,978	10.4	4,852,056	3,937,900
Overseas Equities	3,501,668	9.6	3,837,828	3,165,508
UK Gilts	488,485	6.1	518,283	458,687
UK Corporate bonds	402,815	4.8	422,150	383,480
UK Index-Linked	522,880	7.3	561,050	484,710
Overseas bonds	295,802	9.1	322,720	268,884
Alternatives (universe)	846,428	4.4	883,671	809,185
Property	549,402	1.7	558,742	540,062
Cash	126,100	0.2	126,352	125,848
Other investment assets	40,689	0.0	40,689	40,689
Other investment liabilities	-5,950	0.0	-5,950	-5,950
Total Investment Assets	**11,163,297**		**12,117,591**	**10,209,003**

Asset type	Value as at 31st March 2015	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	3,973,559	10.2	4,378,862	3,568,256
Overseas Equities	4,000,453	8.9	4,356,493	3,644,413
UK Gilts	475,130	6.0	503,638	446,622
UK corporate bonds	394,612	5.1	414,737	374,487
UK Index-Linked	551,458	7.7	593,920	508,996
Overseas bonds	283,147	8.8	308,064	258,230
Alternatives (universe)	879,648	5.3	926,269	833,027
Property	480,834	3.3	496,702	464,966
Cash	181,000	0.1	181,181	180,819
Other investment assets	41,056	0.0	41,056	41,056
Other investment liabilities	-6,000	0.0	-6,000	-6,000
Total Investment Assets	**11,254,897**		**12,194,922**	**10,314,872**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31st March 2016 and 31st March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31st March 2015	Asset type	31st March 2016
£000		£000
181,000	Cash deposits	126,100
25,012	Cash balances	8,763
206,012	**Total**	**134,863**

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The assumed interest rate volatility is 100 basis point (BPS) per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31st March 2016	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£'000	£'000	£'000
Cash deposits	126,100	1,261	-1,261
Cash balances	8,763	88	-88
Total change in assets available	**134,863**	**1,349**	**-1,349**

Asset type	Carrying amount as at 31st March 2015	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£'000	£'000	£'000
Cash deposits	181,000	1,810	-1,810
Cash balances	25,012	250	-250
Total change in assets available	**206,012**	**2,060**	**-2,060**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The following table summarises the Fund's currency exposure as at 31st March 2016 and 31st March 2015:

Currency exposure - asset type	Value as at 31st March 2016	Value as at 31st March 2015
	£000	£000
Overseas quoted fixed interest securities	238,423	222,798
Overseas unquoted fixed interest securities	0	3,690
Overseas quoted equities	3,501,313	3,556,023
Overseas unquoted equities	355	444,430
Overseas quoted index linked securities	57,379	56,659
Overseas unit trusts	473,380	482,102
Overseas Property funds	73,441	46,454
Total overseas assets	**4,344,291**	**4,812,156**

Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2014/15 5.6%).

A 6.0% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Asset type	Value as at 31st March 2016	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	238,423	252,728	224,118
Overseas unquoted fixed interest securities	0	0	0
Overseas quoted equities	3,501,313	3,711,392	3,291,234
Overseas unquoted equities	355	376	334
Overseas quoted index linked securities	57,379	60,822	53,936
Overseas unit trusts	473,380	501,783	444,977
Overseas Property funds	73,441	77,847	69,035
Total overseas assets	**4,344,291**	**4,604,948**	**4,083,634**

Comparative 2014/15 using 5.6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Asset type	**Value as at 31st March 2015**	**Value on increase**	**Value on decrease**
	£000	**£000**	**£000**
Overseas quoted fixed interest securities	222,798	235,275	210,321
Overseas unquoted fixed interest securities	3,690	3,897	3,483
Overseas quoted equities	3,556,023	3,755,160	3,356,886
Overseas unquoted equities	444,430	469,318	419,542
Overseas quoted index linked securities	56,659	59,832	53,486
Overseas unit trusts	482,102	509,100	455,104
Overseas Property funds	46,454	49,055	43,853
Total overseas assets	**4,812,156**	**5,081,637**	**4,542,675**

b) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

In essence the fund's entire investment portfolio is exposed to some form of credit risk. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time, in addition stock on loan managed by our custodian HSBC is fully indemnified by HSBC. Stock lending and the associated collateral at the year end are detailed in note 17.

c) Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure there are adequate cash resources available to meet its commitments. This will particularly be the case for cash, from the cash flow matching mandates from the main investment strategy to meet pensioner payroll costs; and also cash to meet investment commitments.

Note 23. Related party transactions

In accordance with IAS24 Related Party Disclosures, material transactions with related parties not disclosed elsewhere are detailed below.

Administering body
Bradford Metropolitan District Council is a related party in its role as the Administering Authority for West Yorkshire Pension Fund.
In 2015/16, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £438,136 in respect of support services provided (£605,840 in 2014/15). The support costs for 2015/16 included a full year support for financial, legal and information technology services and a part year charge for accommodation; in December 2014 WYPF purchased their first Direct Property, Aldermanbury House in Bradford and in June 2015 the Fund moved into one of the floors, accommodation costs are therefore no longer paid to Bradford Council.

Employers
Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in note 27. Contributions in respect of March 2016 payroll are included within the debtors figure in note 21.

UK Central government bodies
The UK Government is a related party as it provides the statutory framework within which the Pension Fund operates. Balances outstanding with the Central government bodies are included within notes 20 and 21.

Members
The metropolitan councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel and the Joint Advisory Group. Of these members 6 are in receipt of pension benefits from the Fund. There have been no material transactions between any member or their families and the Pension Fund.
From 1st April 2014 Councillors were no longer entitled to join the scheme and current councillor members will cease their participation when their current term ends.

Key management personnel
No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with City of Bradford Metropolitan District Council, for the supply of goods or services to the Fund.

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £117,964 (2014/15 £116,145). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc. which at 31st March 2016 was valued at £19.2m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2015/16. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc. for which he is paid a fee.

Note 24. Contingent liabilities and contractual commitments

At 31st March 2016 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31st March 2016 £m	Un-drawn commitments £m
Private equity	715.6	440,8
Property funds	542.9	101.8
Total	**1,258.5**	**542.6**

At 31st March 2015 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31st March 2015 £m	Un-drawn commitments £m
Private equity	624.6	445.4
Property funds	480.8	57.2
Total	**1,105.4**	**502.6**

Note 25. Accounting Developments

The following accounting standards have been issued but are not applicable for the year ending 31 March 2016.

IFRS 9 Financial Instruments (replacement of IAS 39)

The International Accounting Standards Board completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014.
IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories:

- Fair Value through profit or loss
- Fair value through other comprehensive income and amortised cost, on the basis of the objectives of the entity's business model for managing its financial assets
- Contractual cash flow characteristics of the instruments.

These changes are not expected to have a significant impact on the Fund.
.

Note 26. Statement of Investment Principles

The West Yorkshire Pension Fund has prepared a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended). Full details of the SIP and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website www.wypf.org.uk.

Note 27. List of Participating Employers Contributing to the Fund

In 2015/16 408 employers paid contributions into the Fund, at the end of the year there were 404 employers with active members.

BRADFORD COUNCIL
Leeds Council
Calderdale MBC
Kirklees Council
Wakefield MDC
Abbey Grange Ce Academy
Abbey Park Primary Academy
Absolutely Catering Ltd (Bgs)
Accuro (Bbg Academy)
Ackworth Parish Council
Active Cleaning Ltd (Crofton Academy)
Addingham Parish Council
Affinity Trust
Aireborough Learning Partnership Trust
Airedale Academy
All Saints Ce Jnr School
Alwoodley Parish Council
Amey Community Ltd (Bfd Bsf Phase 1 Fm Services)
Amey Community Ltd Bradford Bsf Pase 2 Fm Services
Amey Infrastructure Services Ltd (Wakefield)
Amey LG Ltd (Calderdale)
Appleton Academy
Arts Council England
Aspens Services Ltd
Aspens Services Ltd (Leeds East Academy)
Aspens Services Ltd (Leeds West Academy)
Aspire Community Benefit Society Ltd
Aspire-I
B B G Academy
Bardsey Primary Foundation School
Barnardos (Askham Grange Prison)
Barnardo's (Leeds Portage)
Batley Girls Academy
Batley Grammar School
Beech Hill School
Beeston Primary Trust
Bell Lane Academy
Belle Isle Tennant Management
Belle Vue Girls Academy
Bid Services
Bingley Grammar School
Birstall Primary Academy
Bishop Wheeler Catholic Academy Trust
Blessed Peter Snow Ca Trust (Kirklees)
Bolton Brow Primary Academy
Boothroyd Primary Academy
Boston Spa School
Bradford Academy
Bradford College
Bradford College Education Trust
Bradford Councillors
Bradford Diocesan Academies Trust
Bradford District Credit Union
Bradford Studio School
Bradford University
Bradshaw Primary School
Bramley St Peter's C Of E School
Brighouse Academy
Brighter Futures Academy Trust
Brooksbank School Sports College
Bruntcliffe Trust School
Bullough Contract Services (Bingley Grammar School)
Bulloughs Contract Services Ltd
Bulloughs Contract Services Ltd (Brighouse Academy)
Burnley Road Academy
Buttershaw Business & Enterprise College
CAFCASS
Calderdale & Kirklees Careers
Calderdale College
Calverley C Of E Primary School
Care Quality Commission
Carillion
Caroll Cleaning Company Ltd (Calderdale)
Caroll Cleaning Company Ltd (Wakefield)
Caroll Cleaning Company Ltd (Whetley)
Carroll Cleaning Co Ltd (Birkenshaw Primary School)
Carroll Cleaning Co Ltd (Bolton Brow Academy)
Carroll Cleaning Co Ltd (Holy Trinity Primary)
Carroll Cleaning Co Ltd (Lapage Primary School)
Carroll Cleaning Co Ltd (Lee Mount Primary School)
Carroll Cleaning Co Ltd (Ravenscliffe High School)
Carroll Cleaning Co Ltd (St Joseph's Bradford)
Carroll Cleaning Company (Crofton Academy)
Carroll Cleaning Company Limited (Frizinghall)
Carroll Cleaning Company Limited (Thornbury)
Castle Hall Academy
Castleford Academy
Cater Link Ltd (Crigglestone St James Primary Academy)
Catering Academy
Catholic Care
Chief Constable For West Yorkshire
Christchurch CE Academy
Churhcill Contract Services (Bbg Academy)
Clayton Parish Council
Coalfields Regeneration
Cockburn High School Trust
Cockburn School Academy
Colne Valley High Academy
Community Accord
Compass (Radillion) Leeds Pfi Schools
Compass Contract (Buttershaw School)
Compass Contract Services
Compass Contract Services (Chapel Allerton School)
Compass Contract Services (Green Lane)
Compass Contract Services (Spta)
Compass Contract Services (Uk) Ltd
Compass Contract Services (Uk) Ltd (Chartwells)
Compass Contract Services (Uk) Ltd (Minsthorpe Acad)
Compass Contract Services Ltd (Manor Corft)
Consultant Cleaners Ltd (WY Fire)
Co-Operative Academy Of Leeds
Cottingley Primary Academy
Craft Centre & Design Gallery Ltd
Creative Support Limited
Crescent Further Education Limited
Crigglestone St James CE Primary Academy
Crofton High Academy
Darrington C Of E Primary School
David Young Community Academy
Deighton Gates Primary Foundation School
Denby Dale Parish Council
Diamond Wood Community Academy
Dixons Academies Charitable Trust
Education Bradford
Education Leeds Ltd
Elite Cleaning & Environmental Services Ltd
English Basketball
Enviroserve (Shelf J & I School)
Featherstone Academy
Feversham College Academy
Feversham Primaryacademy
Fieldhead Junior Infant & Nursery Academy
First West Yorkshire
Fleet Factors (Limited)
Foxhill Primary School
Garforth Academy
Gawthorpe Community Academy
Greenhead College
Greenvale Homes
Greetland Academy

Groundwork Wakefield
Halifax High
Halifax Opportunities
Halifax Opportunities Trust (Calderdale)
Hanson School
Harden Primary School
Havercroft Academy
Heath View Academy
Hebden Royd Town Council
Heckmondwike Grammar School Academy
Hemsworth Academy
Hemsworth Town Council
Hepworth Gallery Trust
Hill Top First School
Hollingwood Primary School
Hollybank Trust
Holme Valley Parish Council
Holy Trinity Academy
Home Farm Trust
Honley High School
Horbury Academy
Horbury Bridge CE J & I School
Horsforth School Academy
Horsforth Town Council
Horton Housing Association (CSL)
Horton Housing Association (Ophrs)
Huddersfield New College
Huddersfield University
Hugh Gaitskell Primary School Trust
I S S Facilities Services Ltd
Igen
Igen Ltd
Ilkley Grammar School Academy
Ilkley Parish Council
Incommunities
Ind Clean Serv Ltd
Initial Catering Services
Initial Facilities Management Ltd
Interserve (Facilities Management) Ltd
Interserve (Fm) Ltd (P.C.C For West Yorkshire)
Interserve Academies Trust Ltd (Crawshaw Academy)
Interserve Project Services Ltd
Iqra Academy
Jerry Clay Lane Academy
John Smeaton Academy
Keelham Primary School
Keepmoat Property Services Ltd
Keighley Town Council
Khalsa Science Academy
Kids
Killinghall Primary School
King James School
Kirkburton Parish Council
Kirklees Active Leisure
Kirklees College
Kirklees Councillors
Kirklees Neighbourhood Housing
Knottingley St Botolphs C Of E Academy
Lady Elizabeth Hastings
Laisterdyke Gm Middle
Lane End Primary Trust
Leeds Beckett University
Leeds Cc Councillors
Leeds Centre For Integrated Living
Leeds Citizens Advice Bureau
Leeds City Academy
Leeds City College
Leeds College Of Art & Design
Leeds College Of Building
Leeds College Of Music
Leeds East Primary Partnership Trust
Leeds East-North East Homes
Leeds Grande Theatre & Opera House
Leeds Groundwork Trust
Leeds Housing Concern
Leeds Institute For The Blind
Leeds Metropolitan University
Leeds MIND
Leeds North West Education Partnership
Leeds Racial Equality
Leeds Trinity University College
Leeds West-North West Homes
Liberty Gas Group Ltd
Lidget Green Community Co-Operative Learning Trust
Lightcliffe CE J&I School
Lighthouse School
Lindley C E Infant Academy
Lindley Junior School Academy
Local Government Yorkshire & Humberside
Longroyde Junior School
Lpm Cleaning Ltd
Making Space
Manston St James Academy
Mears Facilities Services (South)
Mears Facilities Services (West)
Mears Ltd
Mellors Catering Services (Southfield Grange)
Mellors Catering Services (Southfield Grange)
Meltham Town Council
Menston Parish Council
Merlin Top Primary Academy
Micklefield Parish Council
Middleton Primary School Trust
Minsthorpe Academy Trust
Mirfield Free Grammar Academy
Mitie (PFI Ltd)
Mitie Pest Control
Moor End Academy Trust
Morley Town Council
Mount Pellon Primary Academy
Myrtle Park Primary School
N I C Services Group Ltd (Cookridge Holy Trinity School)
National Assembly For Wales
National Coal Mining Museum
New College Pontefract
Nic Services Group Ltd
Normanton Town Council
North Halifax Grammar Academy
North Halifax Partnership Ltd
North Kirklees Cab
Northern School Of Contemporary Dance
Northorpe Hall Trust
Notre Dame 6th Form College
NPS (NE)
NPS Leeds Limited
Oakbank School
Oakworth First School
Oasis Academy Lister Park
OFSTED
Old Earth Academy
One In A Million Free School
Open College Network Yhr
Ossett Academy & 6th Form College
Ossett Pension (Trust)
Otley Town Council
Our Lady Of Victories Catholic Primary Academy
Outwood Grange Academy
Outwood Primary Academy Kirkhamgate
Outwood Primary Academy Ledger Lane
Outwood Primary Academy Lofthouse Gate
Overthorpe C Of E Academy
Park Lane Learning Trust
Pennine Housing 2000 Limited
People In Action (Leeds) Ltd
Pinnacle Business Services (Leeds)
Pinnacle Ltd (Kirklees)
Pontefract Academies Trust
Pontefract Education Trust
Pool Parish Council
Priesthorpe School Trust

Primrose Lane Primary Foundation School
Prince Henrys Grammar
Prospect Services
Prospects Services Ltd 2012 (Bradford)
Prov Compass Contract Services (Spta)
Prov Kinsley Academy
Prov Tns Catering (Spta)
Prov Tns Catering Man Ltd (St Botolphs)
Pudsey Grangefield Trust
Rainbow Primary Free School
Rastrick High School Academy Trust
Rawdon Parish Council
Ridge Crest Cleaning Ltd
Ripon Diocesan C Of E Council For Social Aid-Cardigan House
Ripon House
Rm Education Plc
Rodillian Academy
Rooks Nest Academy
Rothwell Church Of England Primary Academy
Royds Community Association
Royds Learning Trust
Russell Hall First School
Ryburn Valley Academy
Ryecroft Primary Academy
Ryhill Parish Council
Salendine Nook Academy Trust
Salterlee Academy Tust
Samuel Lister Academy
Sandal Magna Community Academy
School Partnership Trust Academies
Schools Lettings Solutions (Freeston Academy)
Schools Linking Network
Scout Road Academy
Sea Fish Industry
Shanks Waste Management Ltd
Share Multi Academies Trust
Shibden Head Primary Academy
Shipley College
Shirley Manor Primary Academy
Sita UK Ltd
Skills For Care
South Elmsall Town Council
South Hiendley Parish Council
South Kirby & Moorthorpe Town Council
South Leeds Academy
South Oseet Infants
Southern Electric
Southfield Grange Trust
Southmere Primary Academy
Southway At The Rodillian Academy Ltd
Spie Ltd
St Annes Catholic Primary Academy
St Annes Community Services
St Annes Community Services (Bradford)
St Chads C Of E Primary School
St Giles Church Of England Academy
St Helens CE Primary Academy
St John's (CE) Primary Academy Trust
St Johns CE Primary School
St Johns Hostel
St Johns Primary Academy Rishworth
St Michael & All Angels School
St Michaels CE Academy
Swallow Hill Community College Academy
Taylor Shaw
Taylor Shaw Ltd (Batley Girls High School)
Taylor Shaw Ltd (Fieldhead Grimes Manston)
Taylor Shaw Ltd (Parklands Primary)
Taylorshaw Ltd (Cookridge Holy Trinity School)
Taylorshaw Ltd (Crossgates Beechwood Whitelaith)
Taylorshaw Ltd (Interserve Crawshaw)
Taylorshaw Ltd (Swarcliffe Primary School)
Temple Learning Academy
The Anah Project
The Beckfoot & Hazelbeck Academy Trust
The Bishop Konstant Catholic Trust
The Cathedral C Of E
The Crossley Heath Academy Trust
The Freeston Academy
The Gorse Academies Trust
The John Curwen Co-Operative Primary Academy
The Lantern Learning Trust
The Maltings Learning Trust
The Police & Crime Commissioner For West Yorkshire
Thornhill Community Academy
Thornton Grammar School
Todmorden Town Council
Tong High School
Trinity Academy Halifax
Turning Point
Turning Point (Wakefield)
United Response
University Academy Keighley
UPP Residential Services
Victoria Primary Academy
Wakefield & District Housing
Wakefield City Academy
Wakefield College
Wakefield Councillors
Waterton Academy Trust
West End Academy
West Vale Primary School
West Yorkshire Combined Authority
West Yorkshire Valuation Tribunal
Westborough High School
Westwood Primary School Trust
Wetherby Town Council
Whitehill Community Academy
William Henry Smith School
Wolseley UK Ltd
Woodhouse Grove School
Woodkirk Academy
Woodside Academy
WRAT - Leeds East Academy
WRAT - Leeds West Academy
WY Fire & Rescue
Yorkshire Housing Ltd
YPO

This glossary is provided to assist the reader. It offers an explanation of terms in common use in relation to local authority finance, many of which are used within this document.

Accruals

Income and expenditure are recognised as they are earned or incurred. When income is due to the Council but has not been received an accrual is made for the debtor. When the Council owes money but the payment has not been made an accrual is made for the creditor.

Assets Held for Sale

These are assets previously used in the provision of services by the Council which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

Associated Company

A company over which the Council is able to exercise significant influence (see also Group Accounts).

Service Reporting Code of Practice (SeRCOP)

Authorities must follow this code when presenting financial reports. By establishing a common framework it enables comparisons to be made between authorities. It prescribes the service headings into which costs should be grouped. It also ensures that all relevant costs are charged to services, including central overheads and capital charges.

Capital Adjustment Account

The Capital Adjustment Account (CAA) was set up in 2008-9 following UK GAAP accountancy changes and replaces the Capital Financing Account. It is required to ensure that both sides of the Balance Sheet remain in balance, and increases and decreases in asset valuations are credited and debited to this account as appropriate following asset revaluations.

Capital Charges

Charges to services for the use of assets. They comprise depreciation, based on the current value of the assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets, or which adds to, and not merely maintains, the value to the Council of existing fixed assets. Fixed assets provide economic benefits to the Council for a period in excess of one year.

Capital Financing Requirement

A measure defined by the Prudential Code of the Council's level of borrowing for capital purposes. It is based on the Balance Sheet of the Council. It is the basis for calculating the charge to be made to revenue for debt repayment each year (see Minimum Revenue Provision).

Capital Receipts

Income from the disposal of land and other assets and from the repayment of grants and loans made to others for capital purposes. The income can only be used either to finance new capital spending or to reduce the capital financing requirement through the repayment of debt.

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

This document is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). It defines proper accounting practices for local authorities in the United Kingdom, and is generally abbreviated to 'the Code' in the text. The Code is based on International Financial Reporting Standards.

Collection Fund

The fund deals with the collection and distribution of Council Tax and non-domestic rates. Surpluses may arise from time to time if the amounts collected from Council Tax (and its predecessor, community charge) exceed estimates. Such surpluses cannot be used directly to fund expenditure, but can be taken into account through the budget process and used to reduce Council Tax.

Community Assets

Assets such as parks and historic buildings that the Council intends to hold in perpetuity and that may have restrictions on their disposal.

Consistency

The concept that the accounting treatment of any given item will remain consistent between accounting years and that any necessary change will be made clear to the reader of the statement of accounts.

Contingent Liabilities

These are material liabilities where the contingent loss cannot be accurately estimated or is not considered sufficiently certain to include in the accounts. They are therefore brought to the attention of readers of the accounts as a note to the Balance Sheet.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Debtors

Sums of money owed to the Council but not received at the end of the year.

Depreciation

A capital charge made to services for the use of fixed assets in the provision of services. It represents the depletion of the useful life of an asset and the consequent reduction in its value.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the leased assets are recognised on the Balance Sheet of the lessee.

Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Council.

Financial Reporting Standards (FRS)

Accounting practice to be followed in the preparation of accounting statements in the years prior to 2010-11. For example FRS17 governs the way in which pension liabilities must be presented in the accounts. From 2010-11 onwards FRS will be fully replaced by IFRS (International Financial Reporting Standards), see below.

General Fund

All services other than those which authorities are required to account for separately in a Housing Revenue Account or Collection Fund.

General Reserves and Balances

Monies held by the Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Group Accounts

Where authorities have material interests in subsidiaries, associated companies or joint ventures they are required to prepare additional group account statements. The group accounts consolidate those interests in subsidiaries, associates and joint ventures with the Council's own accounts to present a complete picture of the Council's activities.

Heritage Assets

These are assets, previously classified as community assets, which are intended to be preserved in trust for future generations because of their cultural, environmental of historical associations.

International Financial Reporting Standards (IFRS)

These are accounting standards issued by the International Accounting Standards Board.

Impairment

A diminution in value of fixed assets resulting from obsolescence, physical damage or general market conditions. The Council undertakes annual reviews of its assets to identify impairment.

Comprehensive Income and Expenditure Statement

This statement is compiled in accordance with IFRS and reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

Infrastructure Assets

These are assets such as highways and footpaths.

Investments

These may be long-term investments whose purpose is to produce capital gain and rental income, or the short-term investment of cash balances that may arise from day to day management of the Council's cash flow.

Investment Properties

Land and buildings that are held for capital gain and rental income and not for the provision of services.

Joint Venture

A company or body in which decisions require the consent of all participants (see also Group Accounts).

Liabilities

Amounts due to individuals or organisations and to be paid at some time in the future. Current liabilities are payable within one year of the Balance Sheet date.

Local Area Agreement (LAA)

The LAA is a partnership between the Council and other public bodies whose aim is to work together towards jointly agreed objectives to improve local public services. The Council's LAA partners comprise local health bodies, learning bodies, community groups, housing associations and voluntary associations.

Materiality

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)

This is the minimum amount of external borrowing that authorities must repay and charge to their revenue accounts each year. It is calculated as a percentage of the Council's capital financing requirement at the start of the year.

Non Current Assets

Assets that yield economic benefits to the Council for a period of more than one year. Examples include land, buildings, vehicles and investment property.

National Non-Domestic Rates (NNDR)

These are rates levied on business properties. The level of NNDR charges is set by the Government. NDR income is pooled nationally and re-distributed to authorities on the basis of population.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Leases

Leases other than finance leases. Under operating leases the risks and rewards of ownership remain substantially with the lessor. Consequently, the assets concerned are not included on the Balance Sheet of the lessee.

Property, Plant and Equipment (PPE)

These are non-current assets used directly to deliver the Council's services. The assets comprise land, buildings and plant with a carrying value in the Balance Sheet based on current value in use. PPE also includes equipment like vehicles, which are valued at historic cost.

Precept

The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the Council on their behalf through the Council Tax.

Prior Year Adjustments

Material adjustments applicable to prior period, arising from changes in accounting policies or from other corrections.

Private Finance Initiative (PFI)

A central government initiative that enables authorities to carry out capital projects through partnership with the private sector.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Prudential Code

The Code ensures that authorities borrow only for capital purposes and that they borrow responsibly and at affordable levels. Authorities demonstrate compliance with the code by setting and observing a range of prudential indicators covering the level of capital expenditure, the cost of borrowing and level and structure of its debt.

Related Parties

Individuals, or bodies, who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure

Expenditure on the day-to-day running costs of services, such as the costs of employees, premises, supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Amounts properly incurred as capital expenditure, but where no Council asset is created. They are mainly grants or loans made to individuals or organisations for capital purposes, such as improvement grants.

Revenue Reserve

Any sum set aside for a specific revenue purpose.

Revenue Support Grant (RSG)

A general government grant towards the cost of providing services.

Subsidiary

A company or body over which the Council has control or has the right to exercise dominant influence (see also Group Accounts).

UKGAAP

UK Generally Accepted Accounting Principles. This is a framework of accounting standards for financial reporting standards, which have been replaced by International Financial Reporting Standards from 2010-11 onwards.

Acronym	Full Description
AVCs	Additional Voluntary Contributions
BID	Business Improvement District

BDCT	Bradford District Care Trust
BPS	Base Points
BSF	Building Schools for the Future
BMW	Biodegradable Municipal Waste
CAA	Capital Adjustment Account
CCG	Clinical Commissioning Group
CFR	Capital Financing Requirement
CIES	Comprehensive Income & Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
CSR	Comprehensive Spending Review
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EIR	Effective Interest Rate
EUV	Existing Use Value
FRS	Financial Reporting Standards
FSS	Funding Strategy Statement
GAAP	Generally Accepted Accounting Principles
HRA	Housing Revenue Account
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISB	Individual School Budget
IT	Information Technology
JANES	Joint Arrangement which is not an Entity
LAA	Local Area Agreement
LATS	Landfill Allowances Trading Scheme
LEA	Local Education Authority
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option
MAP	Management Action Plans
MDCs	Metropolitan District Councils
MRP	Minimum Revenue Provision
NEET	Young people Not in Education, Employment or Training
NDR	Non Domestic Rates
NJC	National Joint Council
OJC	Officers' Joint Council
PCT	Primary Care Trust
PFI	Private Funding Initiative
PfS	Partnership for Schools
PPE	Property, Plant & Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index

RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice
SIP	Statement of Investment Principles
SOLACE	Society of Local Authority Chief Executives
WDA	Waste Disposal Authority
WYCA	West Yorkshire Combined Authority
WYPF	West Yorkshire Pension Fund
WYITA	West Yorkshire Integrated Transport Authority
VAT	Value Added Tax
YPO	Yorkshire Purchasing Organisation

ANNUAL GOVERNANCE STATEMENT 2015-16

1. Scope and Purpose

1.1 Scope of Responsibility

The City of Bradford Metropolitan District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging its overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, as well as arrangements for the management of risk.

1.2 The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values by which the Council and its partners are directed and controlled and those activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The framework has continued in place at the Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts. Whilst supporting the Council's arrangements for risk management, it cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

2. The Governance Framework.

The systems and processes that comprise the Council's governance comprise the following key elements:

2.1 Code of Corporate Governance.

The Council has approved and adopted a code of corporate governance which is consistent with and founded on the six core principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" –

- Focusing on the purpose of the authority and on outcomes for the community, and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

2.2 The Constitution of the Council

The Constitution, reviewed at Annual Council, provides the framework within which the Executive takes decisions in discharge of the Council's functions, subject to the examination of a number of Overview and Scrutiny Committees. The Executive is collectively responsible for the decisions it makes and its decision making arrangements are designed to be open, transparent and accountable to local people.

2.3 Identification and communication of a clear vision of the Council's purpose, its shared priorities with its partners and intended outcomes for citizens and service users.

Bradford District Partnership requested the production of a District Plan in October 2015 to confirm shared vision, outcomes and priorities for action with partners over the next four years.

The District Plan has been developed with key partners and partnerships, and builds on the BDP governance review, giving a clear responsibility for each outcome to a specific strategic partnership. The development of the plan also involved overview and scrutiny committee and area committee input.

The final District Plan was agreed by Bradford District Partnership Board on 22 April 2016. Building on the outcomes and principles established via the Council's New Deal approach it sets out a clear vision and agreed action over the next four years to 2020.

A Council Plan is in development that identifies how the Council will deliver the commitments established in the District Plan. It is scheduled for Executive consideration on 19 July 2016

Internally, the Council's purpose is defined as: "Working with people and partners for a healthier, caring, more prosperous and sustainable Bradford District."

The priorities identified in the plans are:

- Good schools and a great start in life for all our children

- Better skills, more and better jobs and a growing economy
- Decent homes that people can afford to live in
- Better health, better lives
- Safe clean and active communities
- A well run council which is cost effective and productive.

A plan for communicating and engaging on the key messages of the plan, and promoting its delivery is being developed.

2.4 Review of the Council's vision and implications for its governance arrangements.

The Council Plan will be further developed and delivered through internal governance arrangements comprising six director-led boards, whose scope reflect the Plan's defined priorities, overseen by the Executive.

A review of Bradford District Partnership arrangements was carried out over late 2015, and implemented by April 2016.

This involves a clear lead partnership for each of the agreed outcomes that form the Council and District's vision. Each partnership is responsible for a "chapter" of the District Plan.

Bradford District Partnership board are currently considering how they ensure greater accountability from the partnerships to the Board, via regular reporting on progress at future Board meetings. An updated handbook is also being produced.

2.5 Business Continuity Management.

The Council is committed to providing for business continuity, as detailed in the Civil Contingencies Act 2004, to ensure it can provide all its key functions in the event of an emergency or disruption, so far as is practicable. Assistant Directors lead on business continuity planning within their service areas. The Emergency Management Team has put in place processes that set out the Council's approach to business continuity management.

2.6 Measuring the quality of services for users, ensuring services are delivered in accordance with the Council's objectives and represent the best use of resources.

- The Council uses corporate and departmental service level performance measures to report and manage service delivery.
- The Annual and Mid-year Finance and Outturn Performance Reports, and Quarterly Financial Monitoring Reports, present to the Executive and Corporate Overview & Scrutiny the current and forecast position on performance and finance in relation to the Council's activities. The reports set out the key areas of progress, the key issues, areas for continued attention in relation to the Council's corporate priorities and actions to address any areas of underperformance.
- The Council now has a well established way of measuring productivity and financial activity data to ensure that it is using its resources efficiently and providing value for money.
- A set of Corporate Indicators is in place that focuses on key Council priorities. The Corporate Performance Framework is revised in line with the changes to our performance arrangements. Performance will continue to be monitored through Departmental Management Teams, CMT, Council's Policy Programmes and Change Service within the Chief Executive's department, Executive and Overview & Scrutiny Committees.

- There are service specific customer feedback and user engagement mechanisms in place, and user-specific engagement methodologies such as Learning Disabilities Partnership and Easier Access events that allow the Council systematically to gather customer insight.
- The Council continues to face significant budget cuts and a rising demand for services. In order to shape the future Council, it and its partners have invested in a wide ranging programme of consultation and engagement. The Council continues to use a range of tools to secure value for money, which are continuously developed. They include, for example, a commissioning-led approach to service planning, sharper procurement disciplines, benchmarking, finance and activity costing, competitive tendering, external peer review, business case appraisals, investment models, contract mechanisms and pricing regimes.
- Additionally the Council's system of internal control is designed to support effective and efficient use of resources.

2.7 Defining the roles and responsibilities of the Executive, the non-executive, scrutiny and officer functions including clear delegation arrangements and protocols for effective communication.

- A clear statement of the respective roles and responsibilities of the Executive, the members and senior officers including delegation arrangements and protocols for effective communication of committee decisions, can be found in the Council's constitution.
- In addition, the Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government 2010"
- Role Profiles for all senior officers detail their key responsibilities

2.8 Embedding and communicating codes of conduct defining the standards of behaviour for members and staff across the organisation.

The Council has approved a Code of Conduct for Elected Members and a procedure for dealing with complaints. The Standards Committee's role was retained to have responsibility for overseeing the operation of the Code and for promoting high standards of conduct.

In addition, the Council's Constitution establishes:-

- A protocol on member-officer relations providing rules and guidance for members, co-opted members and officers in their working relations.
- Protocols for members on gifts and hospitality and members' use of Council resources including the use of email and the internet.
- Members and officers have been provided with guidance on the framework within which they are required to undertake their different roles
- Employees are expected to comply with the Council's Code of Conduct for Employees.

2.9 Standing orders, standing financial instructions, a scheme of delegation and documented supporting procedures and strategies which clearly define how decisions are taken and how the processes and controls required to manage risks are implemented.

- Council standing orders for contracts and financial regulations are contained in the Constitution of the Council. They are subject to annual review by officers before approval at the Governance and Audit Committee and adoption by full Council at the annual meeting.
- Key control booklets are maintained by Internal Audit, updated as required and placed on the Council's intranet.
- A scheme of delegation is provided in the Council's constitution.
- Additionally the Council has six Overview and Scrutiny Committees which are required to contribute to the better decision making of the council, and secure continuous improvement in service delivery
- Area Committees enable local communities to participate in Council activities
- The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify actions required to mitigate any risks identified. The registers should be regularly maintained, reviewed and updated. In 2015-16 further work on risk management was required to establish the appropriate reporting structure.
- Risk management training is standard within project management and at particular key stages of project implementation.

2.10 Arrangements to ensure compliance with relevant laws and regulations, internal policies and procedures, that expenditure is lawful and an anti fraud and corruption strategy, all monitored by the Governance and Audit Committee.

- The Council's Monitoring Officer is required to maintain an up to date version of the Constitution and to make amendments and/or improvements as necessary to take account of changes in legislation, guidance, Council policy, decisions of the Council and the Executive.
- The Monitoring Officer, following consultation with the Chief Executive and the Section 151 Officer, is required to report to the Executive if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. To assist the Monitoring Officer in this role, Legal Services monitor new legislation and disseminate this information to service departments.
- The Section 151 Officer is similarly required to report to the Executive and the Council's External Auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficit.
- Each Strategic Director and the Chief Executive are required to confirm in an annual letter to the Section 151 officer that they have taken reasonable steps to ensure compliance with established policies, procedures, laws and regulations, including how risk management is embedded in the Departments. This is underpinned by performing the key control and fraud risk self assessments and levels of non compliance are duly considered.
- The Council has a Counter Fraud Policy and Strategy to protect public funds by actively seeking to deter and prevent fraud, corruption and theft and ensure that all possible risks are minimised.
- The reports of Internal and External auditors consider and inform compliance with regulations, policies and procedures.
- The Council has established internal control procedures designed to support compliance with established policies, practices, laws and regulations and to safeguard the Council's assets and interests from loss
- All reports to Executive must be cleared by a member of the Council's Management Team, the Monitoring Officer and the Director of Finance.

2.11 Information Governance Arrangements

- A separate and independent information security team supports the Senior Information Risk Owner (SIRO) to discharge his responsibilities in championing an information security culture, establishing policy, practice, process, training, knowledge and technology, and assessing the effectiveness of those arrangements.
- The SIRO is supported by a distributed network of Information Asset Owners (at Assistant Director level) who in turn are supported by department and or system-specific information security managers
- The Bradford team liaises closely with peer function in other public bodies in West Yorkshire and beyond, and with the Information Commissioner's Office (ICO)
- The Council underwent a voluntary audit in 2015 by the ICO on the procedures supporting subject access requests, training and development and data sharing agreements, and its programme of work is informed by this audit.

2.12 Arrangements supporting whistle blowing and for receiving and investigating complaints from the public.

- The Council has a whistle blowing policy embodied in the Confidential Reporting Code for Employees. This can be accessed on the Council's web site.

- Under the Articles of the Constitution, the Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements.
- The Section 151 Officer has dedicated resources to undertake independent investigations and report on allegations of impropriety.
- The Council has a formal 'Comments, Complaints and Compliments' procedure on the "Contact us" section of the Council's website. All members of the public have the right to complain to the Council in writing, by telephone or by speaking to a member of staff.

2.13 Developing the needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

- The Council supports members in undertaking their varied and evolving roles and responsibilities. A Member Learning and Development Strategy shapes the Member Development Programme which is run on a quarterly basis by the Human Resources Department.
- The Strategy introduces the key learning and development aims and objectives. It also identifies actions that will be taken to ensure all councillors have access to learning and development opportunities appropriate to their needs. The aim of this is to help councillors carry out their roles efficiently and effectively.
- The Council recognises that alongside members, employees are a key resource - the development of the two goes hand in hand. The Council's workforce development programme provides a focus on effective workforce planning and development, embracing leadership and skills training for all staff.

2.14 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging dialogue.

- The Council has five Area committees to encourage community engagement and participation.
- A principal form of securing dialogue with communities is by establishing and operating neighbourhood and ward forums.
- The Council supports a process of engagement with the District's communities of interests that complements our place based structures.
- Overview and scrutiny arrangements provide for meetings to be open to the public, except where confidential information or exempt information is likely to be disclosed.
- The Council's website and App provide a communication and wide ranging information link.
- The Council provides information and news using social media.
- The Council's Contact Centre and face to face Customer Service Centres provide easy access to Council services and information.
- An extensive programme of consultation on the annual budget generated considerable engagement and input into the establishment of the Council's budget priorities. It raised awareness of the financial and demand challenges facing the district, confirming what matters most to local people and exploring public expectations and aspirations for involvement in future delivery.
- CMT agreed for the development of an improvement to our insight capacity in late 2015. Part of this suite of work involves to Council developing an E-panel to ensure a representative section of the population can be consulted on and surveyed. Support for the recruitment of people to the e-panel was commissioned in March 2016.
- Insight into issues that are important to people will be gathered in this way from Summer 2016. A perceptions survey will be conducted in Autumn 2016 Publications, media, including social media, the Council's website. App and other publicity arrangements provide communication channels with the district's citizens.
- The Annual Statement of Accounts provides a report on the Council's financial activities for the year.
- Financial information, including details of efficiency savings, is issued with Council Tax bills.
- The Council has published a contracts register (which will be updated quarterly) and a grants register (which will be updated annually) in accordance with the Local Government Transparency Code.

2.15 Incorporating good governance arrangements in respect of partnerships and other group working and reflecting these in the Council's overall governance arrangements.

- The role of the Governance and Audit Committee includes maintaining an overview of the Council's partnership arrangements and overseeing any action plans for improvement arising, for example, from inspection reports.
- The Council has an agreed approach to collective bargaining with the recognised Trade Unions. This is undertaken through consultation and negotiation and is enshrined within the Council's Industrial Relations Framework. The Council takes a partnership approach to Industrial Relations, using the Industrial Relations Framework. This includes regular informal discussions between trade unions and management & formal OJC meetings at all levels across the Council - L1 (Corporate), L2 (Departmental) & L3 (Service).
- Bradford District Partnership (BDP), as the Local Strategic Partner for the area, ensures that the governance arrangements of the family of partnerships function well, in order to support the delivery of the Bradford District Strategy. The BDP reports to the Governance & Audit Committee on governance and functional business matters and to Overview and Scrutiny Committees on topic based performance and delivery.
- The Schools Forum is effective as the place where resource allocation decisions are made between the Council and the District's schools
- To support the Health and Wellbeing Board, governance arrangements for senior leaders and managers in the health and social care economy have been established to oversee the development of integrated health and social care models, and to ensure oversight of the whole system of public and personal health and social care

3. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment. Confirmations have been obtained from Strategic Directors and the Chief Executive that reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations. They have been asked to confirm that risk management is embedded in their departments, provide a fraud risk assessment and to report, on a three year rolling programme, the level of compliance with key controls that are set out in the Key Control Booklets.

The Council has in place a Governance and Audit Committee, independent of the Executive, to strengthen and consolidate its governance arrangements and provide the core functions as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities".

The review is informed also by the work of the Internal Audit section which covers both the Council and the West Yorkshire Pension Fund. The key areas of assurance relate to the work detailed in their monitoring reports on the Council's control environment which are reported at regular intervals to Governance and Audit Committee. The Head of Internal Audit is required to deliver an annual Internal Audit Opinion and report regularly to the Governance and Audit Committee as prescribed by Public Sector Internal Audit standards. A number of operational control issues have been identified from this and action is being taken to put improvements in place.

Action plans for improvement are devised and implemented in response to recommendations from External Audit and other statutory agencies and inspectors.

The Council liaises fully and promptly with the Local Government Ombudsman's enquiries into complaints against the Council.

The Council liaises closely with the Information Commissioner's Office in reporting and closing information security risks and incidents, and to ensure it discharges fully its duties under Data Protection legislation and policies.

4. Significant governance issues

The annual review has established that the Council has arrangements in place which provide a sound governance framework and system of internal control. However the Council is not complacent and seeks to continually improve the arrangements it has in place. The Governance and Audit Committee will be kept informed of progress.

The specific governance issues set out in the 2014/15 Annual Governance Statement have been monitored through the year. Progress on these was reported to the Governance and Audit Committee in a detailed public report on the 29th January 2016. The following sections give a brief update on these risks. Whilst some of these risks have been mitigated during the 2015/16 financial year a number of risks are continuing to be monitored and remain high profile in 2016/17.

5. Governance challenges previously recognised and concluded during the year

5.1 Developing new and affordable models of care within the governance arrangements that exist across the health and social care system

The Council has agreed a reduction in the staffing budget of the Adults Department in the range of 2.5 million pounds over the period 2016\2018. Additional reductions in staffing are also required due to reduction in funding from the Better Care Fund. The quantum of savings will result in a full remodelling of the Council's social care model. The intention is to move to a community based model of delivery, based on people's assets as opposed to the current deficit model. Services will de developed with communities in order to better enable people to remain in and actively participate in them. The Council will continue to work with its NHS partner, voluntary and private sector partners to develop new models of integrated health and social care. Some new initiatives are planned for 2016/17 and are supported through the NHS Vanguard Programme. In 2016/17 the progress to deliver a new model will accelerate in order to deliver the above budget reductions and the Government's intention that the health and social care systems will be integrated from 2020.

The Council agreed to raise the 2% Social Care Precept as part of its budget setting for 2016/17 and onwards. The additional income will go part way towards the increased costs of paying for care services as a result of the increase in the minimum wage. The monies raised have been passed on to social care providers as a contribution towards their additional costs.

The service offer will need to be delivered within its budget constraint which will result in real changes to how services are currently delivered. More information on Adult and Community Services transformation programmes can be found in "Adult and Community Services Portfolio of Transformation Programmes progress December 2014 – November 2015" – report to Health & Social Care Overview and Scrutiny committee 10th December 2015.

5.2 Ensuring that the Council's risk management strategy and practice is effectively embedded and reflects the dynamic risk environment faced by the Council.

During the year further progress on risk management was made. A training session was delivered to the Senior Leadership Team on the 7th August 2015. A report on risk management was tabled at the Corporate Overview and Scrutiny Committee on the 6th January 2016. The Committee made three recommendations –

- That risk management be incorporated into the Quarterly Finance and Performance Monitoring reports.
- That a further progress report be presented to Overview and Scrutiny Committee in 12 months time
- That relevant sections of the risk register be incorporated into the risk section of all reports to Overview and Scrutiny Committees.

In discussion, the Committee also asked for further consideration to be given to the process for collecting and refreshing information on changes in the risk environment from all areas of the Council's operations as well as ensuring they were compatible with the risk registers of key partner organisations.

6. Governance challenges which require continuing review in 2016/17

6.1 Agreeing an operating and financial plan in the context of the intractable tensions between resources, expectations of citizens and service users, and the statutory framework

The Council's short and medium term plans will be developed and implemented as follows:

District Plan

The District Plan adopted by the Bradford District Partnership will be the vehicle for developing proposals about the future of the Council to around 2020. The working arrangements for each District Plan outcome vary to suit the maturity of the proposals and the gamut of views needed.

The Council Plan

The Council Plan will set out the overarching medium term priorities for what the Council will do, in collaboration with partners. Within the context the Medium Term Financial Strategy, which will be published in July 2016, budget proposals for 2017-19 will be made and publicly consulted upon from autumn 2016. Engagement with partners and the public more generally will build on existing channels and methods of engagement

Council Budget 2016-2018

The Council's proposed budget for 2016/17 and 2017/18 was consulted on, using familiar consultation mechanisms from previous years. The budget agreed in February 2016 Council, set the financial parameters for the District and Council Plans, and is now being implemented. Quarterly financial monitoring reports to Executive will track progress.

Under all these arrangements, the tension between what is expected, required and affordable, and how to resolve it, remains centre stage, and features prominently in risk analyses.

6.2 Improving Educational Attainment and Managing Ofsted Outcomes

The Local Authority's (LA) school improvement function was inspected in June 2015. The lead document for the inspection was the LA's Self Evaluation. Whilst the outcome of the inspection was heavily influenced by the continued poor overall outcomes achieved in Bradford's schools, there was recognition that the Local Authority knows itself and the challenges it faces, and the inspectors were confident that the newly formulated school improvement strategy was the right way forward. The LA has been led to expect that its school improvement arrangements and outcomes will be re-inspected in autumn 2016.

The new improvement strategy fully supports a school-led improvement system and sets out clear roles for the three strategic partners. The Government's latest White Paper (March 2016) states that all remaining maintained schools will be academies or in the process of conversion by 2020. Whilst the Government has now revised the requirement for the very best schools to become academies, the guidance is still clear that all schools in underperforming local authorities will convert to academies. This is expected to apply in the Bradford District. As a result this clearly indicates a removal of the LA's strategic role in education. However in the interim there is a clear understanding between the strategic partners about their respective roles.

- The LA to work with underperforming and schools causing concern to monitor, challenge and intervene when necessary to ensure their rapid improvement. The LA as a commissioner rather than deliverer of services.
- The five main partnerships of secondary, primary, catholic, special and nursery schools, to lead on the school-to-school support for improvement. This recognises that the expertise and capacity to have a positive impact on Bradford's educational outcomes sits in our schools. However it is also recognised that external expertise is needed to accelerate improvement in Bradford and as a result schools have been working closely with colleagues from Wigan LA, and there have been recent negotiations with the Regional Schools Commissioner to bring two major, and successful, external sponsors to Bradford to lead improvements in a number of new academies
- The Teaching School Alliances (TSAs) have access to training resources and external funding so that school staff, at whatever stage they are in their careers, can access further training and development. There are five TSAs in the Bradford District

Future development of the school-led improvement strategy in Bradford is being directed through the post-Ofsted Action Plan that the LA produced in September 2015 and was being implemented prior to that date. The plan focuses on nine key improvement themes, each led by a senior LA officer (DCS, ADs and Heads of Service). The tracking of the progress and impact of the plan is carried out through a KPI (key performance indicator) monitor and monthly RAG ratings of each of the key activities. The outcomes of the plan are being evaluated by the Education

Improvement Strategic Board (EISB), which includes in its membership an external chair, four senior elected members, and key stakeholders from schools (including a governor rep), partnerships, teaching school alliances and the LA. The EISB holds all partners to account for the required improvements. In addition the Council's Overview & Scrutiny Committee has a clear role in monitoring and evaluating progress. The Bradford Education Improvement Commissioning Board has also been set up to ensure that resources, mainly made available by Bradford Council and the Schools' Forum, are allocated to schools, partnerships and teaching schools alliances where they will have greatest impact in addressing Bradford's key priorities. The Commissioning Board is independently chaired, holds providers to account for the impact of allocated resources, and in turn is held to account by the Education Improvement Strategic Board (EISB). Plans are now being formulated to revise the post-Ofsted Action Plan in order to broaden its remit during a period of rapid change in education where multi-agency and multi–organisational working will need to be well co-ordinated to ensure the focus remains on the safety, health and well-being and educational outcomes of Bradford's children and young people.

Professor David Woods, a leading educational expert, who conducted a robust review of Bradford's school improvement arrangements in the summer of 2014, continues to provide consultancy support as a critical friend. His work involves the scrutiny of our developments and documentation to ensure they are fit for purpose.

Accountability for the raising of standards in Bradford is now shared between the three strategic partners (teaching school alliances, partnerships and LA). The Regional Schools Commissioner (RSC) is playing an increasing role in monitoring the performance of Bradford schools – overseeing the conversion of schools to academies and the formation of multi-academy trusts, and holding existing academies to account for their performance.

6.3 Safeguarding Vulnerable Children

The number of referrals to children's social services has reduced to 400 per month compared to 450 per month last year. There has been a reduction in the number of children on Child Protection Plans, from 646 in the last year to 487 in October 2015. This demonstrates the effectiveness of the work being done to reduce risks and safeguard children. The Action Plan developed following the Ofsted Inspection of Child Protection and Looked After Children in February and March 2014 has been completed and systems are in place to monitor child protection conferences and safeguarding arrangements by both the council and the Bradford Safeguarding Children's Board.

All children who are subject to a Child Protection Plan have an allocated social worker and 87% of Child Protection conferences take place within the required timescale. The multi agency Child Sexual Exploitation Hub has had increase in staffing from the police and a review of the Hub is currently taking place.

An independent review of Children's homes has been completed and a comprehensive transformation programme incorporating recommendations from that review is being implemented. The programme will refocus and strengthen our children's residential and foster care, in particular regarding placements for adolescents with complex needs. All the children's homes except one have been inspected under the new revised inspection regulations. 82% were judged to be good, one was graded outstanding and one requires improvement.

The council is leading a programme of change with partner agencies to develop our Early Help offer which will see families supported earlier and prevent problems escalating. A multi-agency project board meets monthly and there are plans to pilot the new arrangements from April 2016.

6.4 Ensuring an effective integrated system of health and social care

With financial and performance pressures mounting in the NHS, the national quest continues for how an affordable and effective integrated system of health and social care should be organised and operate. Whilst governance arrangements are in place – with the Health and Wellbeing Board at the apex, supported by officer-level governance groups and a work programme; and while progress has been made in developing high-level visions, some new local initiatives of integrated care, there is not yet a shared and affordable plan of the health and social care system in the Bradford District for the medium term. The current planning mechanism is the district-wide Sustainability and Transformation Plan, seeking to set out what needs to be done on three fronts: health of people, quality of care, and cost. The magnitude of the challenge, the interconnectedness of the system, and the centrality of the issues to the Council's key priority of Better Health, Better Lives, and the elusiveness of answers, mean these questions remain on the list of principal governance challenges.

6.5 Mitigating the effects of a loss of experience and expertise arising from staff reductions, especially where loss of such resource impacts on the management of services protecting vulnerable people.

The impact of the loss of experience and expertise is being felt in all Council departments. From a governance and control perspective, this can surface as:

- Insufficient capacity, skill or knowledge, to identify and manage risks and resolve issues
- Loss of corporate memory
- Poor or insufficient practical service delivery.

Examples cited by departments include transport engineering, teachers and school leaders, and social care management.

Service managers are using a variety of mitigations to reduce the risk associated with continued downsizing:

- Dedicated retention and recruitment drives, particularly for teachers

- More stringent criteria for approving request for voluntary departure
- Eliminating "single points of failure"
- Sharing resources and expertise with other local authorities
- Skills development programmes including Future Leaders Programme, and the Regeneration Academy, and the workforce development strategy led by Human Resources
- Short-term use of temporary staff
- Restructuring to regularise collaborative working and skill sharing

Looking ahead, the governance challenge will remain of how the skills, knowledge and capacity can be secured and developed to ensure priority, more keenly defined in view of shrinking resources, can actually be delivered.

6.6 Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.

Projects funded by the West Yorkshire Combined Authority (WYCA) are controlled under their Assurance Framework. A rigorous project management system is in place for all Growth Fund and West Yorkshire+ Transport Fund projects.

Reports have been presented to CBMDC Governance and Audit Committee and to Corporate O&S Committee on WYCA/Leeds City Region Enterprise Partnership (LEP).

Governance arrangements are set through WYCA with direct involvement of the Leader of CBMDC on the Board and in the WY&Y Investment Committee. The Deputy Leader is also directly involved on transport, planning and housing matters. CBMDC elected members are also involved in WYCA's own Governance and Audit Committee and Overview & Scrutiny committee and activity. The Leader of the Conservative Group is a political substitute member on the WYCA. The Leader of the Liberal Democrat Group, CBMDC sits on WYCA representing Liberal Democrats.

Further changes to WYCA for legal compliance and effective operation are being progressed through the Business Plan 2015-16 and a Development Programme, including the recruitment of a Managing Director post to oversee the next significant phase of WYCA efficiency and transformation. This sees the WYCA, as a local authority body, working with the five primary Local Authority constituent members, including CBMDC.

Governance and Audit Committee received an update on WYCA and LEP in Spring 2016. Established governance structures and arrangements are in operation with monitoring and continuous improvement. More substantial changes may be necessary in the light of sub-national devolution and other processes – local government & public services reconfiguration, public sector reform, democratic renewal etc. for 2016.

6.7 Impact on governance structures arising from developing policies for the delivery of regional devolution.

A Devolution deal was agreed in March 2015 and implementation plan developed with Civil Servants on the technical aspects relating to transport, housing, business support, employment and skills. Since the General Election and under the new Government, devolution ambitions and expectations are progressing including specific legislative proposals set out in the Cities and Local Government Devolution Bill, the Buses Bill and Housing and Planning Bill amongst others.

Further negotiations are in progress with HM Government and civil service. Governance structures, procedures and implications are being considered and developed, within the emerging legislative framework, to protect and promote the interests of local places and local government.

These developments are expected to continue into 2016 and to secure appropriate opportunities, powers, resources and risk management to support local prosperity, economic growth, regeneration and investment. This is subject to Government policy and resource decisions, especially those to be pursued through the Spending Review 2015.

This remains an open-ended process with political and senior management involvement from CBMDC with attention on powers and resources to achieve outcomes and the related governance arrangements to support democratic and civic interests.

This remains a continuing challenge in 2016-17 for CBMDC given refinements to WYCA governance and operations, further Government policy change and sub-national devolution developments.

7. 2016/17 Governance Challenges

The risks detailed below will be reviewed through the 2016/17 financial year and progress against them will be reported to the Governance and Audit Committee.

1) Agreeing an operating and financial plan in the context of the intractable tensions between resources, expectations of citizens and service users, and the statutory framework
2) Improving educational attainment
3) Safeguarding vulnerable children
4) Ensuring an effective integrated system of health and social care
5) Mitigating the effects of a loss of experience and expertise arising from staff reductions, especially where loss of such resource impacts on the management of services protecting vulnerable people.
6) Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.
7) Impact on governance structures arising from developing policies for the delivery of regional devolution.
8) Implications of the EU Referendum Result

8. West Yorkshire Pension Fund

The Council is the administering authority for the West Yorkshire Pension Fund (WYPF). The WYPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (Amendment No. 3 Regulations 2007).

The Council has established two bodies to assist and support the Governance & Audit Committee oversee the WYPF:

- the WYPF Investment Advisory Panel and
- the WYPF Joint Advisory Group

The WYPF Investment Advisory panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity. In this capacity, the Panel is responsible for formulating the broad future policy for investment. A Director of Finance from one of the member Authorities sits on the Panel, this position is currently held by the Director of Resources for Kirklees MDC.

The WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the group approves the budget estimates for the pensions administration and investment management functions of WYPF, and also receives WYPF's Annual Report and Accounts.

The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- The West Yorkshire Pension Fund has adopted the Council approved approach to risk management
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management
- Risks are monitored and MAPs reassessed regularly
- A risk management report is submitted annually to the WYPF Joint Advisory Group.

There are not expected to be any issues arising from the annual report and review to be submitted to the Joint Advisory Group meeting in July 2016.

9. Statement

Over the coming year we propose to take steps to address the challenges identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ………………………………………………………………………………

Councillor Susan Hinchcliffe, Leader of Council

Signed: ………………………………………………………………………………

Kersten England, Chief Executive

This page is intentionally left blank