Public Document Pack

Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 21 March 2024 at 10.30 am in Committee Room 1 - City Hall, Bradford

Members of the Committee – Councillors

LABOUR	CONSERVATIVE	GREEN
Tait **Thornton** **Godwin**	**Felstead**	**Hickson**

Alternates:

LABOUR	CONSERVATIVE	GREEN
Alipoor **K Hussain** **H Khan**	**Pollard**	**Love**

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.
- **Members of the public are respectfully reminded that this is a meeting that is being held in public NOT a public meeting. The attendance of the public to observe the proceedings is welcome.**
- 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:
Jason Field
Interim Director of Legal and Governance
Agenda Contact: Kanwal Amrez
Phone: 07929 070288
E-Mail: kanwal.amrez2@bradford.gov.uk

A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The Director of Legal and Governance 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 must consider their interests, and act according to the following:

Type of Interest	***You must:***
Disclosable Pecuniary Interests	*Disclose the interest; not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation.*
Other Registrable Interests (Directly Related) ***OR*** *Non-Registrable Interests (Directly Related)*	*Disclose the interest; speak on the item <u>only if</u> the public are also allowed to speak but otherwise not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation.*
Other Registrable Interests (Affects) ***OR*** *Non-Registrable Interests (Affects)*	*Disclose the interest; remain in the meeting, participate and vote <u>unless</u> the matter affects the financial interest or well-being* *(a) to a greater extent than it affects the financial interests of a majority of inhabitants of the affected ward, and* *(b) a reasonable member of the public*

knowing all the facts would believe that it would affect your view of the wider public interest; in which case speak on the item only if the public are also allowed to speak but otherwise not do not participate in the discussion or vote; and leave the meeting unless you have a dispensation.

(2) Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.

(3) 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.

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

3. MINUTES

Recommended –

That the minutes of the meeting held on 25 January 2024 be signed as a correct record (previously circulated).

(Kanwal Amrez – 07929 070288)

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.

(Kanwal Amrez – 07929 070288)

B. BUSINESS ITEMS

5. **CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL (CBMDC) AUDIT COMPLETION REPORT FOR THE YEAR ENDING 31 MARCH 2023** 1 - 42

The External Auditor will present **Document "AI"** which summarises the findings of the audit of the Council's financial statements for the year ended 31 March 2023.

Recommended –

That Members of the Committee note the report.

(Celia Yang – 07977 814829)

6. **2022-23 STATEMENT OF ACCOUNTS** 43 - 84

The Interim Director of Finance and IT will submit report **Document "AJ"** which will provide the 2022-23 Statement of Accounts and details the key financial points arising.

Recommended –

(1) That the 2022-23 statement of accounts are approved by the Governance and Audit Committee.

(2) That any subsequent changes that may need to be made following this meeting are delegated to the S151 Officer in consultation with the Chair for approval. Should such change occur to be significant, the committee will be reported back in a future meeting.

(Celia Yang – 07977 814829)

7. **TREASURY MANAGEMENT STRATEGY 2024-25** 85 - 124

The Interim Director of Finance and IT will submit **Document "AK"** which reports on the Councils Treasury Management Strategy 2024-25. This report shows the Council's 2024-25 Treasury Strategy and Prudential Indicators.

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- A high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- An overview of how the associated risk is managed.

- The implications for future financial sustainability.

Recommended –

That the report Document ("AK") be noted by the Governance and Audit Committee and the report be referred to full Council for adoption.

(Colin Standish - (01274 43 2361)

8. EXCLUSION OF THE PUBLIC

Recommended –

That the public be excluded from the meeting during the consideration of the item relating to the minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 25 January 2024, because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to this item.

It is in the public interest in maintaining these exemptions because it is in the overriding interest of proper administration that Members are made fully aware of the financial implications of any decision.

9. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 25 JANUARY 2024 125 - 136

The Council's Financial Regulations require the minutes of meetings of the WYPF be submitted to this Committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Not for Publication "Document AL"** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 25 January 2024.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 25 January 2024 be considered.

(Euan Miller – 01274 434517)

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City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of external audit to the meeting of Governance & Audit to be held on 21 March 2024

AI

Subject:

City of Bradford Metropolitan District Council Audit Completion Report for the year ending 31 March 2023

Summary statement:

The report summarises the findings of the audit of the Council's financial statements for the year ended 31 March 2023.

EQUALITY & DIVERSITY:

Equality assessments and Equality objectives – There are no equality and diversity implications directly arising from this report.

Alastair Newall
Director – Public & Social Sector
Mazars LLP

Report Contact: Celia Yang
Head of Financial Accounting
Phone: 07977 814829
Email: celia.yang@bradford.gov.uk

Portfolio:
Corporate Services

Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

The Audit Completion Report (Appendix A) sets out the audit findings of the financial statements for 2022-23 and forms the basis for discussion at the Governance and Aduit Committee meeting on 21 March 2024. Based on the conversations with Mazars and subject to completion of the outstanding audit areas, we anticipate receiving an unqualified audit opinion on the financial statements.

2. BACKGROUND

Not Applicable

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

Not Applicable

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

Not applicable

6. LEGAL APPRAISAL

There are no specific legal issues arising from this report.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

This section seeks to address how the proposal tackles the Climate Emergency and reduces carbon emissions.

7.3 COMMUNITY SAFETY IMPLICATIONS

There are no specific community safety implications arising from this report.

7.4 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

7.5 TRADE UNION

Not applicable

7.6 WARD IMPLICATIONS

There are no specific issues arising from this report.

7.7 AREA COMMITTEE LOCALITY PLAN IMPLICATIONS

Not applicable

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

Not applicable

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

Not applicable

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

Members of the Committee note the report and approve.

11. APPENDICES

Appendix A: CBMDC - Audit Completion Report for the year ending 31 March 2023

12. BACKGROUND DOCUMENTS

None

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Audit Completion Report

City of Bradford Metropolitan District Council – Year ended 31 March 2023

March 2024

mazars

Contents

mazars

Governance and Audit Committee
City of Bradford Metropolitan Council
City Hall
Bradford
BD1 1UH

Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

March 2024

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986776.

Yours faithfully

Signed: {{_es_:signer1:signature }}

Alastair Newall

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of property, plant and equipment and investment properties; and
- Valuation of the net defined benefit asset/liability.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £2,022k. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023.

At the time of preparing this report, significant matters remaining outstanding as outlined in section 2.

We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money
Although our work is not yet complete, based on the work carried out to date we anticipate reporting that significant weaknesses from previous years are still extant for 2022/23. Further detail on our Value for Money work is provided in section 7 of this report.

Whole of Government Accounts (WGA)
We anticipate submitting the required assurance statement to the NAO in line with their group audit instructions. The group audit instructions outline that the NAO may require auditors to carry out further work on the Council's WGA submission and until we have confirmation of this we will be unable to issue our audit certificate completing the audit.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council's and to consider any objection made to the accounts. No questions or objections have been received.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Related party transactions	Green	We are finalising our work in respect of related party transactions and awaiting sight of updates made to the disclosure note as a result of the findings from our work.
Expenditure – payroll reconciliation	Green	We are working with officers to understand how assurance is gained over the reconciliation of payroll to the general ledger
Property, Plant and Equipment Valuations	Green	We are waiting for responses from the valuer in relation to our sample testing of valuations. We are waiting for responses from management and the valuer in respect of our challenge as to whether the value of assets not subject to revaluation in year are materially fairly stated. We are finalising our work on the valuation of an asset that have been valued by an external valuer.
Property, plant and equipment – RAAC	Green	We are waiting for a list of properties inspected for RAAC so that we can determine what further testing is required.
Long term investments	Green	Our work remains in progress in respect of the value of the Regional Investment Fund reported in the financial statements.
Minimum Revenue Provision	Green	We are finalising our work in respect of the minimum revenue provision calculations for 2022-23.

Red: Likely to result in material adjustment or significant change to disclosures within the financial statements.

Amber: Potential to result in material adjustment or significant change to disclosures within the financial statements.

Green: Not considered likely to result in material adjustment or change to disclosures within the financial statements.

2. Status of the audit

Audit area	Status	Description of the outstanding matters
Note 22 Expenditure Funding Analysis and Nature of Expenditure	Green	We are waiting for a response from management in relation to a potential adjustment required to this disclosure note.
IT controls work	Green	We are finalising our work in respect of IT controls.
Final financial statements and Annual Governance Statement	Green	We are awaiting the final set of financial statements and Annual Governance Statement for our review.
Letter of representation	Green	Receipt of the signed letter of representation
Audit review and quality control procedures	Green	Completion of Manager and Responsible Individual review and Mazars quality control processes in respect of the audit.
Post balance sheet events	Green	Review of post balance sheet events up to the point at which we sign our audit report.

Red	Likely to result in material adjustment or significant change to disclosures within the financial statements.
Amber	Potential to result in material adjustment or significant change to disclosures within the financial statements.
Green	Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy.

Materiality

Our provisional materiality at the planning stage of the audit was set at £25.7m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £29.4m using the same benchmark.

Use of experts

We have made one change in our planned used of experts, this being in relation to property, plant and equipment valuations where we have consulted with our internal valuer in relation to the valuation of one asset.

Item of account	Management's expert	Our expert
Defined benefit pension asset/liability	AON Hewitt	PwC, consulting actuary, on behalf of National Audit Office.
Property, plant and equipment and Investment Property valuation	Council's valuer	The Audit Team to review the valuation methodology applied by the Council's valuer. We have consulted with our internal valuation team in respect of the valuation of one asset.
Infrastructure Assets	Council's Highway Engineer	The Audit Team to review the methodology applied by the Council's Engineer to determine useful economic lives of infrastructure assets.
Heritage Assets	Christies	The Audit Team to review the valuation methodology applied by the valuer.
Financial instrument disclosures	Link Asset Services	The audit team will review Link Asset Services' methodology to gain assurance that the fair value disclosures of the Council's financial assets and liabilities are materially accurate.

Service organisations

We have not changed the planned approach in relation to service organisations.

Items of account	Service organisation	Audit approach
School's payroll	Data-plan and Working for Schools. These are the two material providers.	Sufficient appropriate audit evidence is held at schools for us to substantively test schools' external payroll without contacting the service organisations.

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page [X] we have concluded whether 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 further significant matters discussed with management;
- any significant difficulties we experienced during the audit.

Management override of controls	**Description of the risk** This is a mandatory significant risk on all **audits due to the unpredictable way in which such override could occur.** Management at various levels within an organisation are 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 there is a risk of material misstatement due to fraud on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Our work on the Council's accounting estimates, as set out in section 2, is still to be completed. Based on the work completed to date we do not have any matters to report in respect of management override of controls.

4. Significant findings

Net defined benefit pension asset/liability valuation

Description of the risk

The net defined pension asset represents a material element of the Council balance sheet. The Council administers the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the Council net pension asset/ liability in 2022/23.

The Council has accounted for a net Pension Asset in 2022/23. The pension asset is a complex calculation which incorporates a number of accounting standards including IAS19 and IFRIC 14, as well as a requirement to calculate a pension asset ceiling. This is the first time this accounting will have been undertaken.

How we addressed this risk

We addressed the risk by:

- Critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund's Actuary;
- Liaising with the auditors of the West Yorkshire Pension Fund to gain assurance over the design and implementation of controls in place at the Pension Fund. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Reviewed a summary of the work performed by the Pension Fund auditor on the Pension Fund investment assets, and evaluating whether the outcome of their work would affect our consideration of the Council's share of Pension Fund assets;
- Obtained assurance from the West Yorkshire Pension Fund auditor in relation to the data used for the triennial valuation.
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

As a result of our work an amendment has been made to the financial statements. The pension asset in respect of the funded LGPS had been disclosed separately to the unfunded net liability position in relation to unfunded schemes on the face of the balance sheet. The balance disclosed in the balance sheet has been updated to reflect the overall net liability position. Please refer to section 6 of this report for full details of the adjustment made.

We have no other matters to bring to your attention.

4. Significant findings

Valuation of property, plant and equipment and investment properties	
	Description of the risk Council dwellings, infrastructure assets, other land and buildings were the Council's highest value assets totalling £809.8 million (£826.0 million in 2020/21). The balance sheet also included investment properties totalling £51.9 million (£46.1 million in 2020/21). Per the CIPFA Code, each of these class of asset requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. Management engages its own Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.
	How we addressed this risk We evaluated the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings and investment properties. We: •assessed the scope and terms of engagement with the Valuer; •assessed the competence, skills and objectivity of the Valuer; •tested the accuracy of the data used in valuations; •challenged the Council and Valuer's assumptions and judgements applied in the valuations; •reviewed valuation methodology used, including the appropriateness of the valuation basis; and •considered the reasonableness of the
	Audit conclusion Our work on the valuation of property, plant and equipment and investment properties, as set out in section 2, remains in progress. As a result of the work completed to date we have identified an unadjusted misstatement of £1,005k arising from the omission of the external works element on a depreciated replacement cost valuation. The full details of this misstatement are set out in section 6 to this report.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 12 September 2023. Some land and building valuations were not available from the valuer in sufficient time to publish the draft accounts to the Council's planned timetable. Further delays in those reports being available led to the Council publishing the draft accounts in September excluding those valuations, on the basis that they were cumulatively immaterial.

Significant matters discussed with management

There have been no significant matters discussed with management over and above those highlighted in other areas of this report.

During the year, we maintained a regular dialogue with management.

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. Our audit has progressed well, and the finance team have assisted our audit progress. Although there were some delays in receiving some working papers, and there are some matters to be received to complete the audit, the quality of the working papers and supporting evidence has been good.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have 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.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

No significant findings or recommendations in relation to internal controls have been noted as at the date of this memorandum.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	-
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	-
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

Our review of the asset register identified that there were several assets included in the asset with a nil net book value.

Potential effects

The Gross Cost and Gross Depreciation is misstated for assets that have been disposed of or are included in another asset. When identifying assets for valuation purposes there is also a risk of assets not being identified that require a valuation due to the volume of assets on the asset register.

Recommendation

The Council should undertake a cleansing exercise to remove assets that are no longer held or that have been replaced with a new reference, from the asset register.

Management response

This was mainly related to those schools buildings which have been demolished during the year, the land is still owned by the Council. We will review and update in the 2023-24 year end accordingly.

Description of deficiency

Heritage assets have not been subjected to a large scale formal valuation since 2012-13. In the intervening years assets have been considered for revaluation, based on whether there is any knowledge of conditions or sales of similar assets indicating a movement in value. This has resulted in many of the Council's heritage assets not having been formally valued since the last full valuation which for insurance valuation purposes poses a risk.

Potential effects

There is a risk that heritage assets are insured for an incorrect value.

Recommendation

The Council should ensure that its Heritage assets are revalued for insurance purposes sufficiently frequently to ensure those valuations are accurate.

Management response

The Council is currently undertaking the revaluation of the assets in the museum collection. Insurance value of those assets differs from the account value because the insurance team and museum team undertake an annual review separate from the Statement of Accounts asset valuation programme.

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

There have been a number of significant errors identified during the course of the audit in relation to the valuation of council dwellings, land, buildings and investment properties. Errors have also been identified and reported in previous years.

Potential effects

Asset values are materially mis-stated.

Recommendation

The Council should review its processes and controls over its valuations to ensure the correct methodology is being applied.

2022/23 update

Our work in respect of PP&E valuations remains ongoing however the work completed thus far has not identified similar instances of error.

Description of deficiency

The Council valuer does not provide a valuation report in line with RICS professional standards.

Potential effects

RICS professional standards are not complied with

Recommendation

A valuation report is provided by the valuer to accompany the valuations

2022/23 update

This recommendation has not been addressed in 2022/23. A valuation report was again not provided.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £881k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cost of services income	1,023			
	Cr: Debtors				1,023
	Being an extrapolated error arising from our testing of debtors. We identified a debtor accrual that had been raised in relation to 2023/24 income received in 2023/24, which therefore was not a debtor at 31 March 2023. The value of the error identified was £13k and the extrapolated error over the untested population was £992k.				
2	Dr: Creditors			999	
	Cr: Debtors				999
	Being an extrapolated error arising from our testing of debtors. We identified a payment in advance accrual which had been raised in relation the 2023-24 theatre income received in 2022-23 however this income and its related VAT had been included in the February and March 2023 VAT claims and therefore were double counted in debtors. The actual error identified was £551k and the total extrapolated and actual error was £999k.				
3	Dr: Property, plant and equipment			1,005	
	Cr: Revaluation reserve				1,005
	Being the extrapolated error arising from testing on assets valued on a depreciated replacement cost basis where the external works relating to the asset had been excluded from the valuation. The actual error identified was a £239k understatement which when considered over the remaining untested population gave a projected error of £767k.				
	Total unadjusted misstatements	**1,023**		**999**	**2,022**

6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension Liabilities			62,896	
	Cr: Long term investments – Net Pension Asset				62,896
	Being the recognition of the pension asset on the funded LGPS within the net pension liability				
	Total adjusted misstatements			**62,896**	**62,896**

6. Summary of misstatements

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- Note 11 Capital Commitments – the value of capital commitments has been increased by £32m to reflect commitments relating to One City Park which had not been included in the disclosure in the draft accounts.
- Note 28 2022-23 Senior Officers' remuneration (annual salary is less than £150,000) – the disclosure has been updated to include the Director of West Yorkshire Pension Fund, the Managing Director of West Yorkshire Pension Fund and the Chief Investment Officer of West Yorkshire Pension Fund.
- Notes to the Collection Fund – Note 2, 3,4 and 5 of the Collection Fund have been subject to adjustments.

In addition to those adjustments detailed above, we identified a small number of minor presentational issues during the audit of the financial statements, these have been amended by management.

We identified the following adjustments during our audit that have not been corrected by management:

Note 9 Property, plant and equipment – within the other land and buildings balance there are assets with a nil net book value but with a gross cost value and accumulated depreciation value of £14.7m. These assets are no longer held by the Council or have been replaced by another asset. The inclusion of these assets results in both the gross cost value and accumulated depreciation values to be overstated by £14.7m. The Council have agreed to reconsider this treatment in 2023/24.

07

Section 07:

Value for Money arrangements

7. Value for Money arrangements

Approach to Value for Money

We are required to consider whether the Council's has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council's plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council's ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council's uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council's has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within 3 months of the date of the signed audit opinion.

Status of our work

We are yet to fully complete our work in respect of the Council's arrangements for the year ended 31 March 2023. Although our work in this area of the audit is ongoing, at the time of preparing this report, we anticipate reporting that significant weaknesses from previous years, which are due to be reported in the 2021/22 Auditor's Annual Report are still extant in 2022/23.

We provide further details on the identified risks of significant weaknesses identified in previous years, and our planned procedures in relation to those risks later in this section of our report. Our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.

7. Value for Money arrangements

Risks of significant weaknesses in arrangements

In our Audit Strategy Memorandum we reported the risks of significant weaknesses in arrangements that we had identified as part of our planning procedures. Our responses to those identified risks and information on further risks that we identified after presenting our Audit Strategy Memorandum, is outlined in the table below.

	Risk of significant weakness in arrangements	Financial sustainability	Governance	Improving the 3Es	Work undertaken and conclusions reached
1	**Financial Sustainability** There is a risk that the Council's financial plans are unsustainable given the reliance on reserves to fund budget pressures in 2022/23 and to balance the budget in 2023/24 and future years.	●			**Work undertaken** We have not yet completed our planned procedures in relation to this risk. To address this risk we will review the Council's financial position and the plans it has in place to ensure financial sustainability in the short and longer term. In doing so, we will: • review the reasonableness of the assumptions within the Medium Term Financial Plan; • review the process for the annual budget setting; • review progress in developing savings plans and consider track records in delivering savings.

7. Value for Money arrangements

Risk of significant weakness in arrangements		Financial sustainability	Governance	Improving the 3Es	Work undertaken and conclusions reached
2	**Progress in addressing weaknesses identified by Ofsted's 2018 inspection of Children's Services** In 2018 Ofsted assessed children's services as 'Inadequate'. In response to Ofsted's recommendations, the Council developed an action plan to address the issues highlighted by Ofsted. Since the 2018 visit, Ofsted has made several follow-up monitoring visits, and issued Monitoring Letters, summarising their views on progress to-date. In December 2020 Ofsted undertook a focused visit, (reported in February 2021) and shortly after completed a further monitoring visit in April 2021 (reported in June 2021). Ofsted's Monitoring Letters, issued after these visits, highlighted that whilst the Council had made improvements, concerns remained about the pace of improvement since they issued their 2018 inspection report. In particular, Ofsted recommended that the Council needed to improve in the following key areas: • workforce challenges, including oversite and workforce instability; • poor working practices, including high caseloads and ineffective planning; and • effectiveness of corporate parenting. In our view, Ofsted's concerns around the Council's progress in addressing the identified weaknesses in children's services represent a significant weakness in arrangements in relation to Governance and how the Council implements or achieves progress on recommendations raised as a result of previous recommendations from Ofsted. The Council recognises that the ongoing failure to fully address the weaknesses identified in the 2018 Ofsted report and subsequent Monitoring Letters adversely impacts upon the quality of services provided to service users and may lead to further action by regulators.		●		**Work undertaken** We are awaiting the outcome of our work in respect of 2021/22 to determine the work required in relation to 2022/23, however our planned procedures are likely to include: • Reviewing action plans put in place to address the weaknesses identified by Ofsted and the Children's Services Commissioner; • Considering progress made by the Council to date in addressing the weaknesses identified, including the establishment of the Children's Trust; and • If available, consider updates provided directly from Ofsted and/or the Children's Services Commissioner.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Alastair Newall
Mazars LLP
One St Peter's Square
Manchester
M2 3DE

Dear Alastair

City of Bradford Metropolitan District Council - Audit for Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of City of Bradford Metropolitan District Council (the 'Council') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022 and applicable law.

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 financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements 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 Interim 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 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

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 company 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 Code, as amended by the Code Update and applicable law.

Appendix A: Draft management representation letter

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 Interim Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements 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 financial statements 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 Code, as amended by the Code Update and applicable law.

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 and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

The Council has no 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 2022/23 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 Code, as amended by the Code Update and applicable law, 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.

Reinforced Autoclaved Aerated Concrete (RAAC)

I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and in particular whether there are indications of a need for an impairment of the Council's property, plant and equipment or investment property balances. I confirm there are no such indications of impairment in those assets.

Other matters

- I confirm that I have assessed the impact of the COVID-19 virus pandemic on the Trust and the financial statements, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- I confirm that I have assessed the potential impact of Russian Forces entering Ukraine on the Trust, including the impact of mitigation measures and uncertainties, and are satisfied that the financial statements and supporting notes fairly reflect that assessment.
- I confirm that I have assessed the impact on the Trust, of the on-going Global Banking challenges, whether there is any impact on the company's ability to continue as a going concern, and on the post balance sheet events disclosures. I confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.
- I confirm that the Council does not have any outstanding equal pay claims.

Appendix A: Draft management representation letter

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.

Unadjusted misstatements

I confirm that the effects of the unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of unadjusted misstatements is attached to this letter as an appendix.

Yours faithfully

Interim Director of Finance

	Appendix – Unadjusted misstatements	**Comprehensive Income and Expenditure Statement**		**Balance Sheet**	
		Dr (£'000)	**Cr (£'000)**	**Dr (£'000)**	**Cr (£'000)**
1	Dr: Cost of services income	1,023			
	Cr: Debtors				1,023
	Being an extrapolated error arising from our testing of debtors. We identified a debtor accrual that had been raised in relation to 2023/24 income received in 2023/24, which therefore was not a debtor at 31 March 2023. The value of the error identified was £13k and the extrapolated error over the untested population was £992k.				
2	Dr: Creditors			999	
	Cr: Debtors				999
	Being an extrapolated error arising from our testing of debtors. We identified a payment in advance accrual which had been raised in relation the 2023-24 theatre income received in 2022-23 however this income and its related VAT had been included in the February and March 2023 VAT claims and therefore were double counted in debtors. The actual error identified was £551k and the total extrapolated and actual error was £999k.				
3	Dr: Property, plant and equipment 1,005				
	Cr: Revaluation reserve 1,005				
	Being the extrapolated error arising from testing on assets valued on a depreciated replacement cost basis where the external works relating to the asset had been excluded from the valuation. The actual error identified was a £239k understatement which when considered over the remaining untested population gave a projected error of £767k.				
	Total unadjusted misstatements	**1,023**		**999**	**2,022**

mazars

Independent auditor's report to the members of City of Bradford Metropolitan District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council ("the Council) for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets ("the Code Update"), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2023 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Interim Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Interim Director of Finance for the financial statements

As explained more fully in the Statement of Responsibilities, the Interim 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 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Interim Director of Finance is also responsible for such internal control as the Interim Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Interim Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Interim Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

Appendix B: Draft audit report

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Governance and Audit Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

We evaluated the Interim Director of Finance's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing, performing procedures on accounting estimates impacting amounts included in the financial statements and consideration of identified significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

We are also required to conclude on whether the Interim Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

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

Report on the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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.

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

We are required under Section 20(1)(c) 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. 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.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Appendix B: Draft audit report

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

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Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

Alastair Newall Key Audit Partner

For and on behalf of Mazars LLP

One St Peter's Square
Manchester
M2 3DE

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 and therefore we remain independent.

Appendix D: Other communications

Other communication		Response
	Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
	External confirmations	We did not experience any issues with respect to obtaining external confirmations.
	Related parties	Our work is not yet complete in this area. Any significant findings will be communicated in our follow up letter to this Audit Completion Report and the completion of the audit. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
	Going concern	We have not identified any evidence to cause us to disagree with the Interim Director of Finance that City of Bradford Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications

Other communication	Response
Subsequent events	We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework. We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Matters related to fraud	We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Governance and Audit Committee, confirming that a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Alastair Newall, Director and Engagement Lead

Mazars

One St Peter's Square
Manchester
M2 3DE

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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Agenda Item 6/

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of Governance & Audit to be held on 21 March 2024

AJ

Subject: 2022-23 Statement of Accounts

Summary statement:

This report presents the Council's 2022-23 statement of accounts.

This report also briefly details the key financial points from the accounts.

EQUALITY & DIVERSITY:

Equality assessments and Equality objectives – There are no equality and diversity implications directly arising from this report.

Steven Mair
Interim Director of Finance

Report Contact: Celia Yang
Head of Financial Accounting
Phone: 07977 814829
Email: Celia.yang@bradford.gov.uk

Portfolio:
Corporate Services

Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

This report presents the 2022-23 Statement of Accounts (Appendix A) and details the key financial points arising.

The recommendation contained in this report are to approve the 2022-23 statement of accounts, and to delegate subsequent changes that may need to be made following this meeting to the S151 Officer in consultation with the Chair for approval.

2. BACKGROUND

The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The Council published the draft statement of accounts on 14 September 2023.

The statement of accounts is prepared in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and is subject to scrutiny by the council's external auditor, which for the 2022-23 financial year is Mazars LLP.

3. OTHER CONSIDERATIONS

Following on from 14 September 2023, the 2022-23 statement of accounts were externally audited during the months of November 2023 to March 2024.

4. (A) FINANCIAL & RESOURCE APPRAISAL

The key financial implications as at 31 March 2023 from the 2022-23 statement of accounts are summarised below:

- Useable reserves (excluding Capital Receipts and Capital Grants Unapplied) totalled at £171.2m (Council £120.5m and Schools £50.7m) **(Note 5 page 50)**. Compared to £277.6m at the end of 2021-22, representing a £106m decrease in total useable reserves. The main reason for the £106m reduction in Council useable reserves in 2022-23 was due to drawing down from reserves to support Council services in year. This included both planned activities such as drawdown of specific grants received previous years, and £52m to cover unplanned costs associated with the unbudgeted cost of extraordinary inflation, and Children's Social Care pressures. In addition, there was also the drawdown of £17.9m from the reserve holding Section 31 grants and Tax income guarantee income to repay 2021-22 Business Rates and Council Tax collection fund deficits as planned.

- Of the £120.5m Council reserves (General Fund £22m, revenue grant reserve £17.4m, service specific reserves £45.3m and reserves to support future budget decision £35.3m), a further £50m of reserves are budgeted to be used in 2023-24, and there will only be c£70m of reserves going into 2023-24, which will be a historic low.

- The General Fund Balance (£22m) is held in accordance with statute. The purpose is as a safety net against unexpected variations in the Council's annual expenditure – this was £1.3 billion gross **(CI&E on page 26)** as shown in the cost of services in the Comprehensive Income and Expenditure Statement. Earmarked reserves are held to protect against specific risks and commitments.

- The Council spent £154.1m on long term assets, as part of its Capital Programme. £4.7m from revenue contributions and other revenue reserves and £1.3m from capital receipts as a result from sale of land and buildings during the 2022-23 year. £70.5m of spend was financed by grants and other third party contributions, £77.3m from borrowing and the remainder direct revenue contributions.

- The Council holds £58.7m of grants provided by external public sector bodies, which will be used in the future to finance the Capital Programme.

- The Council has £769.2m remaining of borrowing for past spend on capital investment. £138.2m of this borrowing is in the form of contractual Private Finance Initiative and lease liabilities. £3.3m mainly relates to miscellaneous historical debt. £162.6m is temporarily borrowed from the Council's own cash held in earmarked reserves, reducing interest payments. The remaining £465.1m is actual borrowing from the Public Works Loan Board, LOBO'S and short-term borrowing.

- Against the £769.2m of borrowing, the Council has £1,090.8m of land, buildings, equipment, other infrastructure and assets held for sale. The value of the Council's property is therefore significantly higher than the outstanding debt relating to it.

- The 2022-23 balance sheet value of the Council's non-current assets (including current assets held for sale and excluding pension assets, long term debtors and long-term investment) is £1,091.1m. This has increased by £30.9m from the 2021-22 value of £1,060.2m. Capital enhancements to the value of £115.2m were made to these assets during 2022-23 and Assets to the value of £54.4m were disposed of during the year. Also non-current assets were depreciated by £38.5m during 2022-23. A revaluation programme that included buildings, park land and investment properties increased values by £8.6m.

- The Council's estimated overall pension fund deficit has decreased to £27.197m, based on an estimate made in accordance with accounting rules. this has been primarily due to a remeasurement of the fair value of assets following actuarial gains caused by large improvement in financial assumptions.

- The Council maintains a separate fund for Business Rates and Council Tax, from which it distributes pre-agreed shares to itself, the Government, West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner. Overall the fund ended 2022-23 with a surplus position for Council Tax and a small deficit position for Business Rates. The Council's own share was a £0.229m deficit on Business Rates, with the Government holding a £0.233m deficit *(**Collection Fund Statement on page 103**).* The Council has received

Section 31 grants from the Government in 2022-23 to compensate for the additional reliefs provided to businesses. Overall, the Council's share of the Collection Fund deficit from 2022-23 will be materially covered by grants. The compensation is not included in the Collection Fund but is reimbursed to the Council through the General Fund account.

A full analysis of these and other financial issues is included in the Narrative Report which can be found at the front of the statement of accounts.

4 (B) Audit Completion Report

- There are three misstatements in the final accounts have not been adjusted for. One relates to property, plant and equipment revaluation, the other two relate to income and VAT being accounted for in the incorrect year, a decision was taken not to adjust based on materiality and net impact.

- Other disclosure notes have been adjusted for.

- Based on the Audit Completion Report (item 1) and subject to completion of the outstanding audit queries, an unqualified audit opinion is anticipated on the financial statements.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

These are addressed in the body of the report.

6. LEGAL APPRAISAL

There are no specific legal issues arising from this report. The production of the Statement of Accounts is a statutory requirement.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

This section seeks to address how the proposal tackles the Climate Emergency and reduces carbon emissions.

7.3 COMMUNITY SAFETY IMPLICATIONS

There are no specific community safety implications arising from this report.

7.4 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

7.5 TRADE UNION

The Director of Human Resources may advise on this aspect.

7.6 WARD IMPLICATIONS

There are no specific issues arising from this report.

7.7 AREA COMMITTEE LOCALITY PLAN IMPLICATIONS

None

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

There are no specific corporate parenting implications arising from this report.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

There are no specific issues arising from this report.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

The 2022-23 statement of accounts are approved by the Governance and Audit Committee.

Any subsequent changes that may need to be made following this meeting are delegated to the S151 Officer in consultation with the Chair for approval. Should such change occur to be significant, the committee will be reported back in a future meeting.

11. APPENDICES

Appendix A: 2022-23 Statement of Accounts

12. BACKGROUND DOCUMENTS

None

Statement of Accounts
2022 – 23

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2022-23

CONTENTS **Page**

Introduction to the Council's Statement of Accounts

The Council's financial statements are set out in the pages following this foreword and consist of the following; -

1. The Narrative Report

This report from the Director of Finance summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2022-23. 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

This statement demonstrates 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

This sheet shows the value at the "Balance Sheet" date of the assets and liabilities recognised by the Council.

5. Cash Flow Statement

This 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 have followed the 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 Business 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 end 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:

a. 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.
b. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
c. Approve the Statement of Accounts.

Director of Finance 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:

d. Selected suitable accounting policies and applied them consistently.
e. Made judgements and estimates that were both reasonable and prudent.
f. Kept proper and up to date accounting records.
g. Taken reasonable steps for the prevention and detection of fraud and other irregularities.
h. Complied with the Code of Practice on Local Authority Accounting.

In addition, he has issued:

i. A manual on the practices to be adopted in the preparation of the Council’s year end accounts.
j. Various corporate standards giving guidance on specific accounting issues.

Certification of the Statement of Accounts

I certify that this statement of accounts presents a true and fair view of the financial position of Bradford Council as at 31 March 2023 and its income and expenditure for the year then ended; and of the West Yorkshire Pension Fund.

Signed:

Steven Mair
Interim Director of Finance (S151 officer)
Date:

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 21 March 2024.

Signed

Cllr Angela Tait
Chair Governance and Audit Committee
Date:

Independent Auditor’s Report to the members of City of Bradford Metropolitan District Council

Report to be inserted

Report to be inserted

Report to be inserted

The Narrative Report

Introduction

The Financial Statements of the City of Bradford Metropolitan District Council for the year ending 31st March 2023 are set out in this document. They are prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) which requires that the accounts show a true and fair view of the financial position of the Council. Suitable accounting policies have been adopted and applied consistently. Where necessary judgements and estimates have been made which comply with the Code.

This narrative report explains the main information included in the accounts, gives an overview of the Council as at 31st March 2023 and provides further information about the most significant matters reported in the accounts, along with an analysis of the pressures and risks that may impact on future financial performance.

Narrative report Introduction

The financial year 2022-23 has been a time when the council has faced the most severe of financial challenges. Along with the rest of the country, it has dealt with the legacy of the COVID-19 pandemic, there was also a downturn in the national economic position and inflationary pressures affecting both the Council and local residents.

The Council has had to manage continuing increases in demand for services compared to pre-pandemic levels, especially in Adults and Children's Social Care. Taken together with the significant increase in inflation influencing general prices for goods and materials purchased by the Council, and energy costs which had a much higher and longer impact than expected, has resulted in reserves being required to balance the budget.

The Statement of Accounts gives an overview of the Council's finances for 2022-23, but the Narrative Report also outlines some of the key initiatives that took place and how these influence the financial position of the Council.

Organisational Overview & External Environment

Our district

The City of Bradford Metropolitan District Council works alongside public and private sector partners and communities, to deliver services and democratically accountable leadership to a diverse population in excess of 547,000 people and approximately 16,000 businesses.

The Council strives to secure better outcomes and equality of opportunity for everyone in the district. It employs more than 8,400 staff. The Bradford District is the fifth largest Metropolitan Local Authority District in England. It is the youngest city in the UK, with 22.8% of people aged under 15; 30% are aged 19 or under and the median age of 36.7 is the lowest in West Yorkshire. Its population is growing and projected to reach 551,00 by 2029 with the greatest growth projected to occur among people aged 75+. Ethnic minorities form a third of the total population of the district with over 150 languages spoken within the district.

Geographically, our district includes the city of Bradford itself, the large town of Keighley and a number of smaller towns and villages many with their own strong and distinctive identities. Outstanding natural landscapes and vistas complement our historically important architecture alongside a rich heritage and vibrant contemporary cultural scene. Ilkley Moor, Haworth and Brönte Country, Saltaire World Heritage Site and the National Science and Media Museum, amongst numerous other sites, attract up to 10 million visitors each year.

The scale, diversity and productive potential of the district is reflected in its strong, broad-based, innovative and entrepreneurial business community, which is part of an overall local economy worth £10-12 billion, the 11th largest in England.

Bradford District is home to high-value production businesses across a wide range of sectors, including food manufacturing, engineering, chemicals, digital technologies, energy and utilities. Many businesses support international supply chains in sectors such as automotive, construction, finance and health, making us one of the most internationally connected cities in the UK. The University of Bradford is a hive of technological innovation.

We are proud to be identified by Barclays Bank as the best place in Britain to start a business, named as one of the Sunday Times' top 20 places to do business, and identified as the most improved city in the Price Waterhouse Cooper's Good Growth 2019 Index. The district has a strong and committed network of voluntary and community organisations with an estimated 30,000 regular volunteers and 100,000 occasional volunteers. The spirit of our communities is a tangible asset that we want to work on more with people in the future to develop and deliver our shared objectives.

Public services and the voluntary and community sector have a strong track record of working together in mature and effective partnerships, and the district's work to bring communities together and promote participation is among the most innovative to be found in the UK.

This spirit has recently helped Bradford win the competition to be UK City of Culture 2025 - significant and potentially transformational status which could deliver an estimated £700m new investment, 3,000 jobs and 1.1m additional visitors.

While the Council and its partners have a wealth of assets to hand, the district, like other districts of commensurate size and complexity, faces major and persistent challenges, as follows:

- Poverty: Whilst the district includes some of the most affluent areas in the north of England, the Bradford District is the fifth most income-deprived in the country. Some 266,000 people live in the poorest areas, and nearly one third of our children live in poverty. Fuel poverty affects 13.5% of households. Health inequalities persist and the gap in life expectancy between the wealthiest and poorest areas of the district is around nine years for men and around eight years for women. These levels of poverty and inequality are unacceptable and consequently increase the demand for public services.

- Connectivity: We need to do more to improve transport connectivity between Bradford, Keighley and Shipley. Bradford is the largest city in the UK not on a mainline rail station and travel times between all parts of the district and indeed the wider north are unacceptable.

- Education and Skills: While progress has been made in closing the gap in educational attainment between the district and the national average it has not gone far enough or fast enough and the adult skills base remains relatively low as a consequence. This ultimately affects productivity and potential inward investment decisions.

- Resources: The district has high levels of need and demand for public services but the Council has limited ability to raise income locally. Our Band D Council tax is 8% below the average for Metropolitan authorities and 80% of our households are below Band D.

About the Council

The policies of the Council are directed by the political leadership and implemented by the Corporate Management Team and officers of the Council. There are 90 Councillors who are elected by local residents on a ward by ward basis.

The make-up of the Council is:

- 56 Labour
- 15 Conservative
- 5 Liberal Democrat
- 8 Green
- 6 Independent

The Labour Party are the ruling party and the lead Labour Party Councillors form the Executive.

The Annual Governance Statement that accompanies the financial statements provides further detail on the Council's governance.

The Council Plan 2022-2025

The Bradford Council Plan is a working document for what this Council wants to achieve to create as good a quality of life as possible for the people and communities of Bradford District. The plan was subject to public consultation and has been agreed by both the Council's Executive and Full Council.

The Council Plan 2022-25 sets out the Council's approach to achieving its overarching ambition of an inclusive and sustainable District that works for everyone. Our priority outcomes identified as being key to the realisation of this ambition are:

- Better Skills, more good jobs and a growing economy - We will grow our local economy in an inclusive and sustainable way by increasing productivity and supporting businesses to innovate, invest and create great jobs.

- A Great Start and a Good School - We will help our children to have the best start in life by improving life chances, educational attainment and overall quality of life for all young people regardless of their background.

- Better Health, Better Lives - We will help people from all backgrounds to lead long, happy and productive lives by improving their health and socio-economic wellbeing.

- Safe strong and active communities - – We want the Bradford District to be a place where everyone can play a positive role in their community and be proud to call the district their home.

- Decent Homes that people can afford to live in - We want everyone to have a comfortable home which meets their needs and helps them lead fulfilling lives.

- A Sustainable District - We will make it easier for individuals, households and businesses to adapt, change and innovate to help to address the climate emergency, reduce carbon and use resources sustainably.

- An enabling council - We will be a council that is a great place to work and reflects the communities we serve. Our people will have the tools to do their jobs effectively. We will manage our resources well and seize all opportunities to bring funding into the district. We will provide good, accessible services.

The Bradford District Plan 2021-25 has been developed collaboratively with partners including the Council and approved by the District's Health and Well Being Board. It is focused on five shared priority outcomes that will drive the collective efforts of local partners with clear links to the Council Plan:

- Children have the best start in life
- Sustainable economic growth and good work for all
- Residents achieve good health and well being
- Safe Sustainable and Inclusive Communities
- Action at all levels on environment and climate change.

Further detail about the Council Plan can be found via this link
https://www.bradford.gov.uk/council-plan/council-plan/

In addition, the Council's work will be underpinned by the following cross-cutting principles:

Every pound counts: We will adopt effective and value-for-money approaches to service delivery. We will increase the proportion of Council resources spent locally to help grow the Bradford District economy and develop our local supply chains. We will ensure that services are creative, innovative and effective to provide the best outcomes for our residents and businesses. Working with others, we will ensure we get the best and most effective value for every pound spent in Bradford District. Internally the Council has a number of strategies and plans in place, such as our Financial Strategy, our Procurement Strategy and our Council Workforce Plan.

Equalities must be at the heart of all that we do: This means that everyone can access services regardless of their background, that we embrace our different communities across the whole district and that we build an inclusive organisation. We want to be an organisation which actively recognises the contribution that people from different backgrounds make to all aspects of the Council's work and the district's communities. Our Equality Objectives are published alongside the Council Plan and feature across our outcome areas. Our Equality Objectives and accompanying Equality Plan for the period 2022-2025 will outline how we intend to keep equalities at the heart of all we do.

Working together: We will work with our communities to get them involved at every opportunity. We will empower individuals so that they can be involved in the process of designing how outcomes are achieved. We will collaborate with other public sector organisations and our communities to ensure residents and businesses have the best opportunity to reach their potential. Together we will be strong, creative, innovative and effective, compassionate and thoughtful, delivering the very best services for all. We recognise that no single organisation can achieve our priority outcomes alone and that partnership and working together will be central to success.

Early help and prevention: This means we will support people early and in their communities to prevent their needs from escalating and to improve their outcomes. This will reduce demand on services and improve the quality of life of individuals. We will be supported in delivering on this cross-cutting principle through our Early Help Board Strategy and Action Plan.

Living Well: We will work alongside our communities and our partners in the NHS, independent sector and Voluntary and Community Sector, to embed Bradford's Living Well, whole systems approach to improving health and wellbeing for everyone. With energy and commitment, we will actively pursue the Living Well mission – to make it easier for people in the district to adopt healthier lifestyle behaviours – and in doing so, reduce preventable health conditions, (including childhood obesity), reduce premature deaths and increase the number of years that the district's people live in good health and wellbeing.

Safeguarding: Bradford District will work with partners and communities to do everything it can to ensure that children and adults at risk in the District are kept safe. We will work together to deliver this principle in collaboration with our children's and adult's safeguarding board. This is not just a role for professionals in social care, but will be part of everyone's role in the Council.

Further detail about the Council Plan can be found via this link
https://www.bradford.gov.uk/council-plan/council-plan/

2023-2024 and beyond

In support of the Council Plan, the Council sets a Medium Term Financial Strategy (MTFS) in September of each year, in preparation for setting the following year's budget.

The MTFS aims to balance the cost of achieving desired objectives against available financing. These desired objectives support the Council Plan and other strategies, are summarised across key outcomes.

Bradford Children and Families Trust (BCFT) was set up on the 1st of April 2023. BCFT has been established as a wholly owned company limited by guarantee. BCFT will discharge the Council's children's social care operational functions on its behalf and in line with terms that will be set out in a Service Delivery Contract entered with the Council, statutory responsibility for Children's Services remains with the Council. The resultant model is that of a collaborative council-owned trust.

Inflation, demographic growth, and the additional pressures in Adults and Children's' Social Care, coupled with difficulty in recruitment and retention; the significant uncertainty surrounding high inflation; the ongoing aftermath of Covid-19; delays to the Government's Fair Funding review, and Social Care funding review, mean that financial planning is currently very challenging.

These financial pressures are compounded by repeated delays to Government reforms of Local Government finance such as business rates reset, and Fair funding formula review implementation, which are expected to result in additional funding for the Bradford District. Failure to implement these measures has resulted in further financial pressures above those that would otherwise have been the case.

Despite consistently delivering a balanced budget in recent years, the pressures outlined above have created a financial storm that the Council will struggle to weather without significant additional funding in future years.

Financial Performance

Revenue Outturn 2022-23

The Council's General Fund budget for its own net expenditure was set at £388.5m in 2022-23.

Band D Council Tax (excluding both Police and Fire Authority precepts), was set at £1,543, a 2.99% increase on the previous year. Comprehensive revenue and capital budget monitoring is carried out during the year and is supplemented by quarterly finance position statements presented to the Executive.

As outlined in reports to Executive throughout the year, the unbudgeted impact of inflation including energy costs, and the high placement costs and high levels of Agency Staff in Children's Social Care have had a significant impact on the Council's financial position, and the Council ended the year with an overspend of £30m, which was unprecedented.

In line with accounting rules the year-end balance on the revenue account must be £0, and consequently to reduce the £30m overspend to £0, £30m of reserves had to be drawn down at year end.

Since 2011, the Council has budgeted to deliver c£310m of savings to contend with very significant real terms cuts to Council funding, and increased demand pressure in Adults and Childrens social care. These pressures have required difficult decisions to be made about service provision and the use and targeting of resources.

As outlined in a recent local media article, the top 10 per cent of England's most deprived councils have dealt with cuts almost three times as high as the richest 10 per cent, providing evidence of deepening inequalities and regional disparities, with Bradford having c28% cuts relative to Surrey at 8%.

Despite the inequity, Bradford Council has materially delivered those savings and continues to deliver most services at relatively low cost. This is reflected in benchmark data compiled by the Local Government Association that demonstrates that apart from Childrens Social Care related services that are run by the Bradford Children's and Families Trust from 1st April 2023, all Council services are either at or below benchmark average spend levels in comparison to other alike Councils.

Aside from the very significant increases in Childrens Social Care costs and recent large-scale increases in unfunded inflationary pressures, the other main driver of the Councils financial pressure compared to other Councils is on the income side.

Council Tax revenues are approximately £20m below the average of other Metropolitan Councils on a pro rata bases. The Band D rate in Bradford is c£135 per year below the Metropolitan Council average, and £400 below the highest. Bradford currently ranks as having the 30th lowest Council Tax out of the 36 Metropolitan Councils; is the lowest in West Yorkshire and 2nd lowest in the Yorkshire and Humber region. The Government sets a Council Tax referendum limit each year, and this therefore provides limited scope to raise further revenues. It should also be noted that a percentage increase applied to a smaller Band D rate, raises a smaller amount than the equivalent percentage increase applied to a higher starting rate, and consequently the gap in amounts raised between areas with low Band D, and high Band D increases each year.

Further, independent analysis from Local Government finance experts has identified that had the Government implemented Local Government funding reforms in 2020-21 as planned, Bradford would now be c£32m per year better off.

It should also be noted that additional national funding has been found for Councils that would otherwise be equivalently financially challenged through the ‘Dedicated schools grant: very high deficit intervention’. Although Bradford doesn’t currently have a deficit in this area and so doesn’t benefit, many Councils (currently 34 and growing) across the country have been provided with additional ‘DSG Safety Valve’ funding. Surrey for example will receive c£100m of additional funding via its Safety Valve agreement.

In summary, the financial challenges facing Bradford are acute and result from facing cuts that have been higher than others; increases in Children’s Social Care costs that have resulted in benchmark spend going from low to high in a short period of time; the unbudgeted impact of extraordinary inflation in 2022-23, low Council Tax relative to other councils, not receiving additional government support due to having pressures in the wrong service areas (i.e. Childrens Social Care and not Dedicated Schools Grant), and Government delays to Local Government funding reforms that would have been expected to significantly increase funding for Bradford Council.

Many Councils are experiencing similar pressures across the country as a result of these systemic funding issues. This is something that is without historic precedent and is reflective of a sector in dire need of support. Bradford council is no exemption, and there remains considerable financial challenges looking ahead into 2023-24 and beyond.

Net Revenue Budget

	Gross Budget £m	Net Budget £m	Total Variance £m
Health and Wellbeing	278.7	143.8	8.8
Children's Services	538.6	155.3	50.9
Department of Place	211.0	136.0	-0.2
Corporate Resources	226.7	68.9	3.8
Chief Executive	6.1	5.7	-0.7
Non-Service Budgets	57.6	-5.4	0.4
General Fund	-8.7	-115.9	-32.9
Net Budget Funding	-3.6	-388.5	0.0
Total Council	**1,306.4**	**0.0**	**30.0**

Reserves

At 31st March 2023 useable reserves (excluding Capital Grants Unapplied and Capital Receipts) stood at £171.1m (Council £120.5m and Schools £50.6m), compared to £277.6m at the end of 2021-22, representing a £106m decrease in total useable reserves. General Fund reserve balance was £22m.

	Closing Balance 2020-21	Closing Balance 2021-22	Opening Balance 2022-23	Net movement	Balance as at 31March 2023
	£m	£m	£m	£m	£m
Council reserves	256.5	231.0	231.0	-110.5	120.5
Schools Delegated budget	42.9	46.6	46.6	4	50.6
Total	299.4	277.6	277.6	-106	171.1

Overall £110m in Council's non-school useable reserves were drawn down in 2022-23. This included both planned activities, and £52m to cover unplanned costs associated with the unbudgeted cost of extraordinary inflation, and Children's Social Care pressures.

The total value of revenue balances held by maintained schools at the end of 2022-23 increased by £4.0m to £50.6m. This is the result of growth in the balances held by maintained schools combined with a net underspend in the Dedicated Schools Grant account, primarily within the High Needs Block, where a number of factors have contributed to this underspend.

Useable reserves and reserve movements are reported to the Executive during the year as a part of the Quarterly Finance Position Statements.

The Council takes a risk based approach to the management of useable reserves. As part of setting the annual budget the s151 Officer undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve. For 2022-23, it was determined that a level of £19.5m was the minimum figure in line with recommended practice.

Overall, reserve levels are expected to reduce significantly in 2023-24.

The Council has £2.6m of S31 Business Rates Grant Reserves that contains both the Councils share of Section 31 grants and Tax Income Guarantee Scheme compensation that will be drawn down at 2023-24 year-end to fund the remaining spreading of the 2020-21 Collection fund deficits, and the repayment of the 2022-23 deficit.

The 2023-24 budget has also approved further reserve reductions of £48m. the impact will be that Council reserves will reduce to £70m, which will be an historic low.

Service departments will also drawdown from useable earmarked reserves for committed expenditure in line with plans.

In addition to useable reserves, the Council also has a number of other accounting reserves, and these are detailed in the Movement in Reserves Statement with the corresponding notes providing further explanation.

Non-Current Assets

The council holds various non-current assets which are categorised as follows: -

- Property, plant and equipment (PPE) – this includes council dwellings, land & buildings, infrastructure assets, community assets, surplus assets, assets under construction and

tangible plant, vehicle and equipment assets
- Intangible assets
- Heritage assets
- Investment property
- Assets held for sale

The accounting standard IFRS 13 Fair Value Measurement was adopted by the Council back in 2015-16. In accordance with this accounting standard, the council's Investment Properties and Surplus Assets are valued at fair value and measured at their highest and best use. Assets Held for Sale are measured at the lower of the carrying value on reclassification to this category, or the fair value less costs to sell.

The fair value measurements are carried out in accordance with IFRS 13. All other property, plant and equipment assets, with the exception of assets under construction and infrastructure assets, are carried at current value. Further details of the measurement bases used are provided in the accounting policies section.

Infrastructure assets and Vehicles, Plant and Equipment are measured at depreciated historic cost, whilst assets under construction are measured at historic cost. Heritage assets are measured at market value where this exists, or replacement cost. Intangible assets are measured initially at cost and then usually carried at amortised cost. The Valuation techniques adopted for each category of non-current assets are in accordance with the requirements set out in the CIPFA Code of Practice.

The 2022-23 balance sheet value of the Council's non-current assets (including current assets held for sale and excluding Long term debtors and long term investments) is £1,091.1m. This has increased by £97.2m from the 2021-22 value of £1,060.4m. Capital enhancements to the value of £114.8m were made to these assets during 2022-23 and Assets to the value of £62.7m were disposed of during the year.

Non-current assets were depreciated by £38.4m during 2022-23. This figure includes amortisation of intangible assets and impairment. Valuations on the Council's properties are carried out by qualified valuers within the council's Asset and Property Management Team. A revaluation programme exists which set out when each category of Asset will be valued and during 2022-23 this programme included public open space, playing fields and cemeteries.

Risks and Opportunities

A key issue for the Council is Children's Social Care which has seen significant growth in budget in recent years. However, the budget overspent significantly again in 2022-23 due to high levels of Agency Social Workers and increased Child Looked After placements. . A Local Authority Controlled Children's Company has been set up and will be operational from April 2023.

The ongoing war in Ukraine, and other factors are leading to inflation levels not seen for decades, and this will lead to numerous additional financial pressures in 2022-23 and beyond.

Uncertainty continues about the long-term financial aftermath of Covid-19. For the district this could impact on a huge variety of areas affecting residents and businesses.

Ensuring that there is a strong link between the capital and revenue budgets to support the delivery of council priorities is essential.

The Capital Strategy sets out continuing significant capital investment, and details regarding some of the major capital schemes that will impact on the economy of the District. At a time of significant funding uncertainty and rising demand it is absolutely essential to set a prudent, stable and achievable budget.

Many councils across the country are now experiencing very severe financial challenges, primarily as a result of inflation and Social Care demand, and Bradford is no exception.

In response to a shift in demand led expenditure pressures and reductions in grant funding, the Council is taking steps to enable itself, residents and communities to work in partnership to meet their future needs and priorities. In terms of investment, the Council continues to spend a significant amount of its budget on protecting vulnerable people through its Social Care services.

In 2022-23 the net cost of Adult & Children's Social Care was £299.1m, 76% of the Council's net budget, and these costs are currently growing at an unsustainable rate. The scale of future challenges will inevitably impact on services and residents to some extent. In considering what savings can be made we have taken long term approaches to the development of future services and this approach will help to protect the needs of the most vulnerable people in the district.

The budget process for 2022-23 adopted a risk-based approach, and in particular prioritised statutory services to vulnerable children, and key frontline services.

Alongside the revenue budget, there are proposals for further major investment in a variety of schemes. These continue the Council's approach to prioritise investment in the local economy, regeneration, climate change initiatives and to invest to save. In addition, the Council is continuing to make a significant investment in Information and Communications technology (ICT), recognising that the need for high quality technology will be crucial to delivering services in the most effective manner in the future.

Being the UKs City of Culture in 2025, will provide an opportunity for the district to showcase its unique culture and heritage, and to attract investment into the district.

Key Performance Indicators

The Council Plan (2022-25) includes a core set of indicators to help monitor the council priorities and these provide the structure for performance updates in this report. The indicators have been grouped around the outcome areas included in the Council Plan Further detailed performance information is provided to the Executive at:

https://bradfordintranet.moderngov.co.uk/documents/s34309/Document%20J.pdf

Business Rates and Council Tax

All Council Tax and Business Rates are paid into a separate ring-fenced account called the Collection Fund. Prior to the start of any year's collection, the amounts paid out of the fund are agreed in advance, to enable budgets to be set. Amounts are paid out to the Council but also to preceptors: The Government, the West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner. The difference between the amounts paid out and collected are recovered in following years.

The Council was a member of the Leeds City Region Business Rates Pool in 2022-23. The pool is a voluntary arrangement which allows local authorities to retain locally a proportion of any growth in business rates income.

In this scheme the pool retains 50% of retained business rates. However, it also increases financial risk to the Council through additional liabilities in respect of backdated appeals and risks from non-collection. The operation of the pool is governed by a formal agreement between the authorities. The pool is led by a Joint Committee made up of the leaders from some of the authorities and is administered by Leeds City Council.

The Collection Fund is an agent's statement. The Council is required by statute to maintain this separate fund for the collection and distribution of amounts due in respect of Council Tax and Business Rates.

The pandemic has caused significant swings for Council Tax and Business Rates collection, over the past three years. But also there have been significant changes to the way these schemes work. The financial impacts are looked at in more detail below.

On Council Tax, as we emerge from the Covid 19 pandemic, the pressure and risks are from the increased costs of living, which may result in a higher level of uncollected debt. Although employment has risen, there was only a small decrease in the cost of the Council Tax Reduction scheme (previously called Council Tax benefit) from around 30,000 to around 29,600 recipients at 31st March 2023. Housebuilding has started to recover with a net gain in properties of 1,420 during 2022-23.

Overall, there was a small Council Tax collection fund surplus of £0.708m in 2022-23, of which the Council's share was £0.578m.

Business Rates collection has also been significantly impacted by the pandemic. However, the Council has a relatively high needs assessment compared to its collection; and since the difference is funded by a Government Top Up grant, this reduces the collection risk compared to other Councils. Additional pandemic reliefs have been issued in 2022-23, therefore, this aspect of the collection is de-risked, because it was also funded by the Government as a grant.

Overall, there was a Business Rates collection fund deficit of £0.467m at 31st March 2023 of which the Council's share was £0.229m. The Council has received Section 31 grants from the Government in 2022-23 to compensate for the additional reliefs provided to businesses. Overall, the Council's share of the Collection Fund deficit from 2022-23 will be materially covered by grants.

Further details about the Collection fund can be found in the Collection Fund Section of these accounts.

Capital Expenditure

The Capital Investment Plan deals with investment in land, buildings and equipment that brings benefits to the Council for more than one year. In contrast costs that are used up on an on-going basis are dealt with in the revenue budget, for example the payment of salaries to staff for a library.

The Capital Investment Plan originally budgeted 2022-23 spend at £203.4m (Full Council, 17 February 2022). This budget was re-profiled to £168.4m in the 1st quarter monitoring report (Executive, 5th July 2022). Since the agreement of the 2022-23 budget in the first monitoring report the only changes to budgets have been for new approved schemes and the budget in the 4th quarter monitoring report was £192.8m, with the spend forecast being £162.5m (Executive, 4 April 2023).

Against the latest re-profiled budget of £197.6m, the Outturn was £154.1m. This is summarised by Department in the Table below.

Capital Investment Plan 2022-23	31 Mar 2023 Budget	Outturn	Variance
	£'m	£'m	£'m
Health and Wellbeing	3.5	1.7	-1.8
Children's Services	18.0	15.8	-2.2
Place – Economy and Development	51.0	29.7	-21.3
Place – Planning, Transportation and Highways	57.9	50.6	-7.3
Place – Other	21.0	16.3	-4.7
Corp Services – Estates and Property Services	44.1	40.0	-4.1
Total - Services	**195.5**	**154.1**	**-41.4**
Reserve schemes and contingencies	2.1	0.0	-2.1
TOTAL	**197.6**	**154.1**	**-43.5**

Where the money came from to pay for the spending on capital schemes in 2022-23:

The Council can borrow to fund capital investment. It sets and observes a range of indicators covering the level of capital expenditure and the cost of financing it, to ensure borrowing is responsible and affordable. One such measure is the Council's Capital Financing Requirement, which represents the amount of Council's capital expenditure funded by internal or external borrowing. In 2022-23 borrowing increased to £769.583m from the £712.094m in 2021-22.

The main reason for the increase in the Capital Financing Requirement was the higher capital spend increasing the amount of spend funded by borrowing.

Other than borrowing, the Council receives capital grants towards some projects, reinvests its capital receipts, or uses revenue resources to fund capital spending.

In 2022-23 the capital spending of £154.1m was funded as follows:

- £77.3m (50%) by borrowing generating capital financing charges which will form part of future revenue spending.
- £70.5m (46%) from government and other grants.
- £4.7m (3%) from revenue contributions and other revenue reserves.
- £1.3m (1%) from capital receipts from the sale of land and buildings.
- £0.2m (0%) from other Finance Leases.

Looking ahead, the Council is progressing with some major regeneration schemes including the Bradford Live Music venue in the former Odeon building, the new Market on Darley Street and One City Park office accommodation.

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 on the Balance Sheet. Community Schools are owned by the Council and 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, including Academies, the school is not recognised on the Council's Balance Sheet.

There are five Foundation schools where 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 2022-23 nine schools converted to Academy status. The Council is not recompensed for any of these disposals. The table below categorises all Bradford schools and sets out the current accounting treatment.

	Balance 1st April 2022		Balance 31st March 2023		Movement	
	Nos	£000	Nos	£000	Nos	£000
Nursery	7	1,347	7	1,259	0	88
Primary	67	8,960	61	6,569	(6)	2,391
Secondary	6	(2,400)	4	2,971	(2)	(5,371)
Special	3	2,822	2	1,077	(1)	1,745
Pupil Referral Units (PRU)	1	386	1	497	0	(111)
Subtotal	**84**	**11,115**	**75**	**12,373**	**(9)**	**(1,258)**
School Contingency		33,825		37,080	0	(3,255)
Other Activities/Closed Schools		615		267	0	348
Total	**84**	**45,555**	**75**	**49,720**	**(9)**	**(4,165)**

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 47.

Treasury Management

The Council 's year-end treasury debt position for 2022-23 compared to 2021-22 is summarised in the table below:

	31 March 2022 Principal £'m	31 March 2023 Principal £'m
Fixed rate funding:		
-PWLB	292.3	366.8
-Market	36.2	36.2
-Other	5.6	12.1
PFI and other finance leases	146.9	138.2
Short term borrowing	37.0	50.0
Total debt as per Treasury Management Outturn Report	**518.0**	**603.3**
In year carrying value adjustment	1.6	1.6
Total Debt as at 31 March	**519.6**	**604.9**

£15.511m of loans matured in January and February 2023 with an average rate of interest of 6.85%. Due to increased capital spend and a reduction in reserve balances new loans of £90m with an average rate of interest of 3.89% were undertaken. The Council maintained an average balance of £33.75m of internally managed funds. The internally managed funds earned an average rate of return of 2.85%.

Pensions

The Council is a member of, and the administering authority for, the West Yorkshire Pension Fund (WYPF). The Council's overall net pensions liability is £27.197m (a decrease from £837.126m in 2021-22). The decrease in the overall net pensions liability has been primarily caused by actuarial gains on the present value of the defined benefit obligation due to large improvement in financial assumptions, and remeasurement gains on the fair value of assets. Further details can be found in Note 26, Defined Benefit Pension Schemes. Whilst the overall net pensions liability figure is substantial, it should be remembered that:

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.

- It is not a situation unique to Bradford or Local Authorities generally. Pension funds in both public and private sectors are similarly in a net liability situation.

- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contribution to address the deficit over a period of years.

- Employee contribution rates may change as may the method of calculating accrued benefits and, therefore, liabilities.

The net liability is matched by an appropriate accounting entry under Reserves.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" and other reserves. The closing 31 March 2023 General Fund Balance of £72.649m comprises £22m (£22.3m in 2021-22) balances generally available to the Council and £50.648m (£46.573m in 2021-22) cash balances held on behalf of schools under the Local Management Scheme.

The statement shows how the movement in the authority's reserves is broken down between gains and losses recognised on an accounting basis and the statutory adjustments required to control the amounts chargeable to council tax for the year.

	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 5 & Balance Sheet	Note 20 & Balance Sheet	Note 20 & Balance Sheet
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	**57,863**	**241,554**	**-**	**38,300**	**337,717**	**(962,999)**	**(625,282)**
Movement in reserves during 2021-22							
Surplus/ (deficit) on provision of services (CIES)	(62,497)	-	-	-	(62,497)	-	(62,497)
Other Comprehensive Income and Expenditure (CIES)	-	-	-	-	-	505,544	505,544
Total Comprehensive Income and Expenditure	**(62,497)**	**-**	**-**	**-**	**(62,497)**	**505,544**	**443,047**
Adjustments between accounting basis & funding basis under regulations (note 4)	40,732	-	159	22,002	62,893	(62,893)	-
Net Increase/Decrease (-) before transfers to Earmarked Reserves	**(21,765)**	**-**	**159**	**22,002**	396	442,651	443,047
Transfers to/from Earmarked Reserves (Note 5)	32,823	(32,823)		-	-		-
Increase/Decrease (-) in 2021-22	**11,058**	**(32,823)**	**159**	**22,002**	396	**442,651**	443,047
Balance at 31 March 2022	**68,921**	**208,731**	**159**	**60,302**	**338,113**	**(520,348)**	**(182,236)**
Movement in reserves during 2022-23							
Surplus/ (deficit) on provision of services (CIES)	(185,425)	-	-	-	(185,425)	-	(185,425)
Other Comprehensive Income and Expenditure (CIES)		-	-	-	-	894,949	894,949
Total Comprehensive Income and Expenditure	**(185,425)**	**-**	**-**	**-**	(185,425)	**894,949**	**709,524**
Adjustments between accounting basis & funding basis under regulations (note 4)	78,886	-	416	(1,561)	77,741	(77,741)	**-**
Net Increase/Decrease (-) before transfers to Earmarked Reserves	**(106,540)**	**-**	**416**	**(1,561)**	**(107,685)**	**817,208**	**709,524**
Transfers to/from Earmarked Reserves (Note 5)	110,268	(110,268)			-	-	**-**
Increase/Decrease (-) in 2022-23	3,728	(110,268)	416	(1,561)	(107,685)	817,208	**709,524**
Balance at 31 March 2023	**72,649**	**98,463**	**575**	**58,741**	**230,427**	**296,862**	**527,289**

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.

2021-22 Gross Expenditure	2021-22 Gross Income	2021-22 Net Expenditure		2022-23 Gross Expenditure	2022-23 Gross Income	2022-23 Net Expenditure	Note
£000	£000	£000		£000	£000	£000	
285,581	(161,674)	123,907	Health and Wellbeing	295,495	(142,797)	152,699	22
549,901	(411,604)	138,297	Children's Services	610,624	(399,590)	211,033	22
210,009	(79,448)	130,562	Department of Place	207,968	(75,160)	132,808	22
5,734	(635)	5,098	Chief Executive	5,431	(490)	4,941	22
189,355	(125,497)	63,858	Corporate	201,532	(133,192)	68,340	22
17,964	(16,895)	1,069	Non Service Budgets	8,851	(5,482)	3,369	22
26,507	(1,810)	24,698	Central Budgets	27,846	(40,861)	(13,015)	22
1,285,051	(797,563)	**487,489**	**Cost of services**	1,357,747	(797,571)	**560,176**	
		17,381	Other Operating Expenditure			53,010	8a
		54,918	Financing and Investment income and expenditure			58,139	8b
		(497,292)	Taxation and non-specific grant income			(485,900)	8d
		62,497	**Surplus (-) /Deficit on Provision of Services**			**185,425**	
		(19,051)	Surplus (-)/Deficit on revaluation of noncurrent assets			(8,770)	20a
		(486,492)	Re-measurements of the net defined benefit liability			(886,179)	20d
		(505,544)	**Other Comprehensive Income and Expenditure**			**(894,949)**	
		(443,047)	**Total Comprehensive Income and Expenditure**			**(709,524)**	

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".

2021-22 £000		2022-23 £000	Note
970,348	Property, Plant and Equipment	999,919	9
37,648	Heritage Assets	38,986	12
51,959	Investment Property	51,341	13
221	Intangible assets	295	14
1	Long term investments	3,475	15
6,992	Long term debtors	15,892	16
1,067,169	**Long Term Assets**	**1,109,907**	
88,614	Short Term Investments	-	17
269	Assets Held for sale	593	18
5,159	Inventories	4,845	17
118,920	Short Term Debtors	152,527	17
119,113	Cash and Cash Equivalents	64,922	17
332,075	**Current assets**	**222,886**	
(5,949)	Cash and Cash Equivalents (Overdraft)	(5,819)	17
(56,560)	Short term borrowing	(62,642)	17
(192,981)	Short Term Creditors	(140,859)	17
(10,192)	Provisions	(7,745)	19
(265,682)	**Current Liabilities**	**(217,065)**	
(3,535)	Provisions	(3,630)	19
(319,494)	Long term borrowing	(408,149)	43c
(837,126)	Pension Liabilities	(27,917)	26; 35
(141,739)	PFI & Other Long Term liabilities	(132,834)	35
(13,904)	Capital Grants Receipts in Advance	(15,908)	41
(1,315,798)	**Long Term Liabilities**	**(588,438)**	
(182,236)	**Net Asset /(Liabilities)**	**527,289**	
(338,113)	Usable Reserves	(230,427)	5
520,349	Unusable Reserves	(296,862)	20
182,236	**Total Reserves**	**(527,289)**	

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.

2021-22 £000		2022-23 £000
(62,497)	Net surplus or (deficit) on the provision of services (Comprehensive Income and Expenditure Statement page 26)	(185,425)
139,715	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 21 d)	85,827
(88,729)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 21 d)	(73,269)
(11,512)	**Net cash flows from Operating Activities**	**(172,867)**
3,517	Investing Activities (Note 21 b)	17,296
42,000	Financing Activities (Note 21 c)	101,510
34,005	**Net increase or (decrease) in cash and cash equivalents**	**(54,061)**
	Balance Sheet Movement	
79,158	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet page 18: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	113,164
113,164	Cash and cash equivalents at the end of the reporting period (Note 17, page 63) (Balance Sheet page 27: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	59,103
34,006	**Net increase or (decrease) in cash and cash equivalents**	**(54,061)**

Note 1. Statement of Significant Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2022-23 financial year and its position at the year-end of 31 March 2023.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23 and the Update to the Code and Specifications for Future Codes for Infrastructure Assets published in November 2022, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued by government. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

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 contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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 an annual cash paid basis.
- A deminimis of £1,000, services may in exception still do these such as schools, has been set for the 2022-23 year. The Council only manually accrues for debtors and creditors greater than £1,000.

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 or are immediately available 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 exceptional 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 non-current 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 non-current 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 three separate pension schemes:

- The Local Government Pensions Scheme, administered by City of Bradford MDC 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).
- The NHS Pensions Scheme, administered by NHS Pensions.

All schemes provide defined benefits to Members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are 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 Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Health & Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme 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.
- 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.
- 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.
- Net defined benefit asset – where an economic benefit arising from the pension asset, the net defined benefit is recognised as an asset. The net defined benefit asset recognised should be the surplus, adjusted for the effect of any asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of reductions in future contributions. Actuary advice will be provided to identify the asset ceiling.
- 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.

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 year's 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 20d relating to the Pension Reserve.

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 2022-23 figures are based on the assumption that each member surrenders pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.

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.

The 2022-23 accounts were authorised for issue on the xx March 2024, following approval from the Corporate Governance and Audit Committee on the 21 March 2024. This authorisation was given by the Chair Governance and Audit Committee Cllr Angela Tait and the Director of Finance (S151 Officer) Steven Mair (page 5).

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 and 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 (CIES) 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 CIES 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 of the loan against which the premium was payable or discount receivable when it was repaid. 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 based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

- Amortised cost. Such assets are those where there are contractual terms giving rise on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding, and where the business model is to collect the cash flows arising.
- Fair value through profit or loss (FVPL).
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised costs 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. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL 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. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Assets are maintained in the Balance Sheet at fair value. Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. 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

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.

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.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

Financial assets measured at fair value through other comprehensive income

Financial assets that are measured at FVOCI 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. Fair value gains and losses are recognised as they arise in other comprehensive income.

ix. 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.

x. 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 based on 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 2022) 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 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.

Items in Museum collections are only included in the balance sheet, where an independent valuation is available.

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.

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.

xi. 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).

xii. 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.

xiii. 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. Investment 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.

xiv. 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. In 2022-23, there is no joint arrangement in operation by the Council.

xv. 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 non-current 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.

xvi. 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 fair 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:

- Assets Under Construction – 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; historical cost has been used when this is an appropriate stand-in for current value.

- Surplus assets – fair value, estimated at highest and best use, determined 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 current 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 current value.

Assets included in the Balance Sheet at current 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 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 Practice's 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, the accounting treatment is:

- 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 basis:

- 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 25 years as appropriate.
- Surplus Assets – straight-line allocation over the useful life of the property as estimated by the valuer.
- PFI – straight-line allocation over the useful life of the property as estimated by the valuer.

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 the General Fund, as the cost of non-current 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.

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges, underpasses), street lighting, street furniture, traffic management systems and land which together form a single integrated network.

<u>Recognition</u>
Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

<u>Measurement</u>
Highways infrastructure assets are generally measured at depreciated historical cost, however this is a modified form of historical cost. Opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April (1994 England and Scotland), which was deemed at that time to be historical cost.

<u>Impairment</u>
Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Highways Engineer using industry standards where applicable, over 5 to 100 years as appropriate.

Derecognition and disposals

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the ‘Other operating expenditure’ line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal, all other accounting treatments are in line with those of general PPE derecognition and disposals.

xvii. 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.

xviii. 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.

xix.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.

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 20.

xxi 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.

xxii. 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 within the Council's income and expenditure account.

xxiii. 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.

xxiv. 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.

xxv. 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. Prior Period Adjustments

There were no prior period adjustments in 2022-23.

Note 3. Accounting Standards not yet adopted, Changes to the Code, Critical Judgements and Assumptions and Estimation

Accounting Standards Issued, not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would, therefore result in an impact on disclosures spanning two financial years.

Accounting changes that will be introduced by the 2023-24 Code are:

- IFRS 16 Leases

- Where an authority adopted IFRS 16 in 2022-23 but chose to defer implementation of IFRS 16 to PFI/PPP arrangements until 2023-24 information on that more specific accounting change will be required in its 2022-23 statements of accounts.

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

These changes are not expected to have a material impact on the Council's 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:

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.

There is also a requirement for the Council to exercise judgement 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 (54 in total). All other schools (11) 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.

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. This judgement is made in line with the provisions set out in the Code and relevant accounting standards. An entity could be material but still not consolidated if all of its business is with the Council and eliminated on consolidation – i.e. the consolidation would mean that the group accounts are not materially different to the single entity accounts. The assessment of materiality also considers qualitative factors such as whether the Council depends significantly on these entities for the continued provision of its statutory services or where there is concern about the level to which the Council is exposed to commercial risk. The Council has assessed its group boundary for 2022-23. The Council has not identified any subsidiary who is considered to be material to be consolidated into its group accounts.

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	The Council has Property, Plant and Equipment of £999.919m as at 31 March 2023.	
	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.
	A reduction in estimated valuations would result in reductions to the Revaluation Reserve and/or a loss recorded in the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in increases to the Revaluation Reserve and/or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and/or gains being recorded in the Comprehensive Income and Expenditure Statement.	The Council carries out a 5-year rolling programme to revalue its fixed assets.

Pensions Liability	The Council had a pension liability of £27,917m at 31 March 2023. 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 Solutions UK Limited, is engaged to provide the Council with expert advice about the assumptions to be applied.	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 £41.008m – a decrease from £2,527.5m to £2,445.5m.

Note 4. Adjustments between accounting basis and funding basis under Regulations 2022-23

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.

2021-22					2022-23			
Useable Reserves				Useable Reserves	Useable Reserves			
General Fund Balance	Capital Receipts & Deferred Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	**Adjustment between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance	Capital Receipts & Deferred 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:				
34,804	-	-	(34,804)	Charges for depreciation and impairment of non current assets	38,428	-	-	(38,428)
5,378	-	-	(5,378)	Revaluation losses on property, plant and equipment	(424)	-	-	424
(5,714)	-	-	5,714	Movements in the market value of Investment Properties	703	-	-	(703)
117	-	-	(117)	Amortisation of intangible assets	111	-	-	(111)
(29,180)	-	-	29,180	Capital grants and contributions applied	(38,321)	-	-	38,321
6,737	-	(3,775)	(2,962)	Revenue expenditure funded from capital under statute (REFCUS)	15,481	-	(15,131)	(350)
18,590	-	-	(18,590)	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	54,415	-	-	(54,415)
-				**Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:**				
(24,647)	-	-	24,647	Statutory provision for the financing of capital investment	(20,297)	-	-	20,297
(2,942)	-	-	2,942	Capital expenditure charged against the General Fund	(4,774)	-	-	4,774
				Adjustments primarily involving the Capital Grants Unapplied Account:				
(35,179)	-	35,179	-	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(19,565)	-	19,565	-
-	-	(9,402)	9,402	Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(5,995)	5,995
				Adjustments primarily involving the Capital Receipts Reserve				
(3,869)	4,322	-	(453)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,284)	4,744	-	(460)
-	(1,315)	-	1,315	Use of the Capital Receipts Reserve to finance new capital expenditure		(1,325)	-	1,325
2,848	(2,848)	-	-	Used for debt repayment/Flexible use	3,003	(3,003)	-	-
-	-	-	-	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
				Adjustments primarily involving the Deferred Capital Receipts Reserve:				
(10)	-	-	10	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
				Adjustments primarily involving the Financial Instruments Adjustment Account:				
(276)	-	-	276	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	(277)	-	-	277
				Adjustments primarily involving the Pensions Reserve:				
138,684	-	-	(138,684)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	129,667	-	-	(129,667)
(49,957)	-	-	49,957	Employer's pensions contributions and direct payments to pensioners payable in the year:	(52,697)	-	-	52,697
				Adjustments primarily involving the Collection Fund Adjustment Account:				
(15,081)	-	-	15,081	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(20,111)	-	-	20,111
				Adjustment primarily involving the Accumulated Absences Account:				
429	-	-	(429)	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.	(2,173)	-	-	2,173
40,732	**159**	**22,002**	**(62,893)**	**Total Adjustments between accounting basis & funding basis under regulations**	**78,886**	**416**	**(1,561)**	**(77,741)**

Note 5. Transfers to/from Earmarked Reserves

	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022	Transfers Out	Transfers In	Balance at 31 March 2023
	£000	£000	£000	£000	£000	£000	£000
General Fund							
General Fund Reserve	15,000	-	7,348	22,348	(347)	-	22,001
Schools Delegated Balances	41,930	-	3,625	45,555	-	4,165	49,720
Held by Council – Schools	933	(88)	-	845	-	70	915
LA Admission Appeals Reserve	-	(27)	200	173	(160)	-	13
A. Total General Fund Balance	**57,863**	**(115)**	**11,173**	**68,921**	**(507)**	**4,235**	**72,649**
Earmarked Reserves							
Reserves available to support future budget decisions	**10,700**	**-**	**-**	**10,700**	**(10,700)**		**0**
Transitional and Risk	15,033	(9,846)	2,948	8,135	(8,135)	-	-
Exempt VAT	3,000	-	-	3,000	(3,000)	-	-
Producer City Initiative	157	-	-	157	(157)	-	0
PFI - Contracts	490	-	-	490	-	-	490
Employment Opportunities Fund	1,915	(1,169)	-	746	-	-	746
Insurance Risk	1,893	(1,889)	-	4	(4)	-	(0)
Regional Growth Fund	3,635	(24)	-	3,611	(2,023)	-	1,588
Better Use of Budgets	5,166	(5,166)	-	-		-	-
Regional Revolving Investment Fund	625	-	-	625	(625)	-	(0)
Discretionary Social Fund	1,397	(171)	-	1,226	(770)	-	456
Match Fund Basic Needs Grant	700	(700)	-	-		-	-
Dilapidation & Demolition	1,767	(390)	-	1,377	(965)	-	412
Strategic Site Assembly & Develop	309	-	-	309	(309)	-	0
Redundancy Reserve	4,696	(948)	-	3,748	(2,703)	-	1,045
Implementation Reserve	1,504	-	-	1,504	(12)	12	1,504
NDR Volatility Reserve	1,735	(1,735)	1,378	1,378	(1,378)	-	-
Council Tax Reserve	575	(575)	-	-		-	-
Leeds City Region WYTF	421	-	-	421	(421)	-	0
Leeds City Region Economic Development	402	-	-	402		1,005	1,407
Finance Works Reserve	94	-	60	154		-	154
Markets Compensation	723	(321)	400	802	(312)	400	890
Financing Reserve 2019/20	1,000	-	-	1,000	(1,000)	-	-
ICT Programmes Budget	1,424	(1,890)	941	475	(475)	-	-
Children Services Investment Fund	745	(745)	-	-			-
S31 Business Rate Grants & TIG Reserve	34,995	(19,374)	3,559	19,180	(19,180)	2,600	2,600
Covid 19 funding allocation Reserve	22,149	(22,666)	517	-			-
Project Feasibility Reserve	2,000	(256)	-	1,744	(160)	20	1,604
Indexation Pressures Reserves	136	-	-	136	(136)	-	-
Social Care Pressures Reserve	-	-	-	-	(10,024)	10,024	-
CT Hardship Reserves	99	(99)	-	-	-	-	-
Financing Reserve	52,573	-	-	52,573	**(30,202)**	6	22,377
	161,358	**(67,964)**	**9,803**	**103,197**	**(81,991)**	**14,067**	**35,273**
Reserves for capital investment							
Markets	93	(352)	300	41	(41)	-	-
IT Renewals and Replacement	-	-	-	-	(1,032)	1,475	443
Renewal and Replacement	5,137	(22)	-	5,115	(5,115)	-	-
	5,230	**(374)**	**300**	**5,156**	**(6,188)**	**1,475**	**443**
Service Earmarked Reserves							
PFI - BSF Unitary Charge	16,122	-	270	16,392	(395)	-	15,997
Supporting People	64	(64)	-	-	-	-	-
Integrated Health and Social Care	8,231	(1,241)	8,747	15,737	(15,737)	8,152	8,152
Community Support and Innovation Fund	279	-	-	279	(279)	-	-
Other	14,868	(2,291)	24,242	36,819	(26,934)	11,312	21,197
	39,564	**(3,596)**	**33,259**	**69,227**	**(43,345)**	**19,464**	**45,346**
Revenue Grant Reserves	**24,199**	**(9,650)**	**5,902**	**20,451**	**(7,972)**	**4,922**	**17,401**
HRA Reserve	**503**	**(503)**	**-**	**-**	**-**	**-**	**-**
B Total Earmarked Reserves	**241,554**	**(82,087)**	**49,264**	**208,731**	**(150,196)**	**39,928**	**98,463**
C Capital Grants Unapplied	38,300	(13,177)	35,179	60,302	(1,561)	-	58,741
D Capital Receipts Reserve	-	(4,163)	4,322	159		415	574
E Total Other Usable Reserves	**38,300**	**(17,340)**	**39,501**	**60,461**	**(1,561)**	**415**	**59,315**
Total Usable Reserves	**337,717**	**(99,542)**	**99,938**	**338,113**	**(152,264)**	**44,578**	**230,427**

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 (£72.6m)

A net £72.649m balance has been carried forward to 2022-23 (£68.921m at 31 March 2022). This includes £50.648m 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 minimum level to be £19.5m in 2022-23 (actual general fund balance at 31 March 2023 was £22m).

b) Earmarked Reserves (£98.4m)

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.

In 2022-23 the overall level of earmarked reserves decreased by a net £110.3m from £208.7m at 31 March 2022 to £98.4m at 31 March 2023, partially to fund the demand led overspends.

c) Capital Grants Unapplied Reserve (£58.7m)

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 are credited to the Comprehensive Income and Expenditure Statement when grant conditions are met.

d) Capital Receipts Reserve (£0.6m)

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 £nil to the pool in 2022-23 (£nil in 2021-22). 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.

2021-22 £000	Capital Receipts Reserve	2022-23 £000
-	**Balance at 1 April**	**159**
	Usable receipts in the year	
3,869	Disposal of assets	4,284
453	Other capital receipts	460
(1,315)	Used to finance capital spending	(1,325)
(2,848)	Used for debt repayment and flexible use	(3,003)
159	**Balance at 31 March**	**575**

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. During the year, the S151 Officer exercised his authority in applying flexible use of capital receipts, totalling £3m.

Note 6. Exceptional Items

There were no exceptional items in 2022-23 or 2021-22.

Note 7. Post Balance Sheet Events

Since, 1 April twelve schools have transferred to Academy status. The school assets have an estimated value of £21.4m at 31 March 2023 and due to the completion of a 125 year lease they will be removed from the Balance Sheet in 2023-24.

From 1 April 2023, the council established a new subsidiary company called Bradford Children and Family Trust (BCFT), which delivers the social care services for the district under a contract.

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

2021-22 £000	Other Operating expenditure	2022-23 £000
2,644	Parish Council Precepts	2,879
-	Payments to the Government Housing Capital Receipts Pool	-
14,737	Losses on the disposal of non-current assets	50,131
17,381	**Total**	**53,010**

b) Financing and Investment Income and Expenditure

2021-22 £000	Financing and Investment Income and Expenditure	2022-23 £000	Note
32,878	Interest payable and similar charges	33,854	8c
25,412	Net Interest on the Pension net defined benefit liability/(asset)	21,896	
(337)	Interest receivable and other income	(1,412)	
(7,265)	Income and expenditure in relation to investment properties and changes in their fair value	(801)	
(264)	Other investment income	(770)	
4,494	Net Deficit/surplus on Trading Accounts	5,373	
54,918	**Total**	**58,139**	

c) External interest costs are paid by the Council on loans raised to finance capital expenditure

2021-22 £000	Interest Payable and Similar Charges	2022-23 £000
14,569	Public Works Loans Board	14,956
16,551	Interest on PFI and finance lease rentals	16,511
1,542	Lender Option Borrower Option (LOBO's)	1,540
194	Transferred debt	201
22	Interest on short term borrowing	646
32,878	**Total**	**33,854**

d) Taxation and Non-Specific Grant Income

2021-22 £000	Taxation and Non-Specific Grant Income	2022-23 £000	Note
(216,449)	Council Tax income	(224,998)	
(52,511)	Non domestic rates	(58,750)	
(163,975)	Non-ringfenced government grants (see below)	(144,266)	8e
(64,357)	Capital grants and contributions	(57,886)	
(497,292)	**Total**	**(485,900)**	

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Comprehensive Income and Expenditure Statement. In 2022-23 the Council received the following:

e) Government Grants

2021-22 £000	Government grants (not attributable to specific services)	2022-23 £000
(34,800)	Revenue Support Grant	(35,875)
(69,259)	Top Up Grant	(69,259)
(1,658)	Local Services Support Grant	(1,645)
(2,046)	New Homes Bonus Grant	(2,014)
(28,716)	Section 31 Grant, mainly relating to Business Rates and National Levy surplus	(35,473)
(18,524)	Covid 19 Support Grant	-
(2,848)	Income Compensation Scheme	-
(6,124)	Council Tax Hardship Grant	-
(163,975)	**Total**	**(144,266)**

Note 9. Property, Plant and Equipment: Movements on Balances

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture& Equipment £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	**Total Property, Plant & Equipment £000**	PFI Assets Included in Property Plant & Equipment £000
Cost or Valuation								
At 1 April 2022	**26,054**	**599,656**	**61,525**	**54,147**	**16,761**	**20,045**	**778,188**	**57,759**
Additions	34	30,866	9,872	165	774	31,790	**73,501**	750
Revaluation in the Rev. Reserve	929	2,693	-	2,350	(1,708)	-	**4,264**	
Revaluation. in Surplus/Deficit on the Provision of Services	6,206	(9,801)	-	(582)	(124)		**(4,301)**	
Derecognition – disposals	-	(54,053)	(8,635)	-	(97)		**(62,785)**	(24,857)
Derecognition - other			-				**-**	-
Assets reclassified (to)/ from Held for Sale	-	(1,828)	-	-	(1,310)		**(3,139)**	-
Reclassifications	1,501	5,239	-	(53)	2,648	(9,335)	**-**	-
Other movements in cost or valuation			-				**-**	-
At 31 March 2023	**34,724**	**572,771**	**62,761**	**56,027**	**16,944**	**42,500**	**785,728**	**33,652**
At 1 April 2022	**(1)**	**(25,574)**	**(35,728)**	**(1)**	**(599)**	**-**	**(61,903)**	**-**
Depreciation charge	(434)	(16,639)	(7,162)	(0)	(69)	-	**(24,304)**	(1,230)
Depreciation w/o Revaluation Reserve	-	1,392	-	0	1,776	-	**3,168**	-
Depreciation w/o to the Surplus/Deficit on the Provision of Services	434	4,202	-	1	89	-	**4,726**	-
Impairment losses/ (reversals) in the Revaluation Reserve			-	-		-	**-**	
Impairment in Surplus/Deficit on the Provision of Services			-	-		-	**-**	-
Derecognition – disposals		2,655	8,463	-	18	-	**11,136**	497
Derecognition – other		1,760	-	-	(1,707)	-	**53**	-
Reclassifications – Other			-	-		-	**-**	-
Other movements in depreciation & impairment			-	-		-	**-**	-
At 31 March 2023	**(1)**	**(32,204)**	**(34,427)**	**(0)**	**(492)**	**-**	**(67,124)**	**(733)**
At 31 March 2022 – Net Book Value	**26,053**	**574,082**	**25,797**	**54,146**	**16,162**	**20,045**	**716,285**	**57,759**
At 31 March 2023 – Net Book Value	**34,723**	**540,567**	**28,334**	**56,027**	**16,453**	**42,500**	**718,604**	**32,919**

Previous Year Comparator - 2021-22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	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
Cost or Valuation								
At 1 April 2021	**32,747**	**608,852**	**55,288**	**54,280**	**13,266**	**21,153**	**785,586**	**48,544**
Additions	119	13,102	8,094	22	790	20,718	**42,845**	716
Revaluation in the Rev. Reserve	(307)	10,254	-	(9)	1,119	-	**11,057**	5,303
Revaluation. in Surplus/Deficit on the Provision of Services	(11,757)	(26,659)	-	(146)	(1,696)	-	**(40,258)**	3,196
Derecognition – disposals	-	(16,906)	(1,857)	-	(39)	-	**(18,802)**	-
Derecognition - other	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/ from Held for Sale	-	(704)	-	-	(1,283)	-	**(1,987)**	-
Reclassifications	5,252	11,717	-	-	4,604	(21,826)	**(253)**	-
Other movements in cost or valuation	-	-	-	-	-	-	**-**	-
At 31 March 2022	**26,054**	**599,656**	**61,525**	**54,147**	**16,761**	**20,045**	**778,188**	**57,759**
At 1 April 2021	**(605)**	**(52,874)**	**(32,017)**	**(1)**	**(405)**	**-**	**(85,902)**	**(2,850)**
Depreciation charge	(543)	(15,301)	(5,521)	-	(75)	-	**(21,440)**	(1,040)
Depreciation w/o Revaluation Reserve	10	7,967	-	-	67	-	**8,044**	152
Depreciation w/o to the Surplus/Deficit on the Provision of Services	1,137	33,228	-	-	516	-	**34,881**	3,738
Impairment losses/ (reversals) in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment in Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
Derecognition – disposals	-	532	1,810	-	-	-	**2,342**	-
Derecognition – other	-	-	-	-	-	-	**-**	-
Reclassifications – Other	-	874	-	-	(702)	-	**172**	-
Other movements in depreciation & impairment	-	-	-	-	-	-	**-**	-
At 31 March 2022	**(1)**	**(25,574)**	**(35,728)**	**(1)**	**(599)**	**-**	**(61,903)**	**-**
At 31 March 2021 – Net Book Value	**32,142**	**555,978**	**23,271**	**54,279**	**12,861**	**21,153**	**699,684**	**45,694**
At 31 March 2022 – Net Book Value	**26,053**	**574,082**	**25,797**	**54,146**	**16,162**	**20,045**	**716,285**	**57,759**

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

Note 9a. Infrastructure Assets

	2021-22	**2022-23**
	£000	£000
Net Book Value (modified historical cost) at 1st April	237,911	254,063
Additions	29,516	41,376
Depreciation	(13,242)	(14,124)
Impairment	(122)	-
Net Book Value (modified historical cost) at 31st March	**254,063**	**281,315**

Note 9b. Net Book Value Property, Plant and Equipment (including infrastructure)

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	2021-22 £000	2022-23 £000
Infrastructure Assets	254,063	281,315
Other PPE Assets	716,285	718,604
	970,348	**999,919**

Note 10. Valuations

Operational and non-operational assets have been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Estate 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 over in the year they were revalued.

Valuations were completed during the period 1st April 2022 to 30th April 2023. Assets reviewed as part of the 5-year plan were valued as at the 1st April 2022, with the exception of assets that had significant spend in year and Council Dwellings which were valued with effect from 31st March 2023.

Valuations were undertaken on the basis of current value in existing use, depreciated replacement cost/ modern equivalent asset and current value market value. Other than standard assumptions associated with each basis of valuation no specific assumptions were made with any additional assumptions being made individually for each asset.

The Council constructed a number of dwellings for rent, which are managed by a housing association on its behalf. The Council has not established an HRA in reliance on a Direction from the Secretary of State as at 31 March 2023. That position is now under review.

Revaluations

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	Total £000
Carried at Historical Cost	-	16,864	28,334	305	281,315	20,440	42,500	389,758
Held at Valuation Value in:								
2018/19	-	9,165	-	1,388	-	3,201	-	13,754
2019/20	-	23,815	-	3,671	-	1,000	-	28,486
2020/21	-	18,307	-	3,338	-	1,100	-	22,745
2021/22	-	435,189	-	4,998	-	1,339	-	441,526
2022/23	34,723	37,227	-	2,753	-	28,947	-	103,650
Total	**34,723**	**540,567**	**28,334**	**16,453**	**281,315**	**56,027**	**42,500**	**999,919**

There are a number of assets in the Other Land and Buildings and surplus asset categories held at historic cost. For these assets, the historic cost, i.e., purchase price, is considered to be a reasonable approximation of fair value and so they are not included in the 5 year revaluations programme.

Fair value measurement of surplus assets

The Council has accounted for surplus assets in accordance with IFRS 13 and they have been valued at fair value.

There has been no change in the valuation technique used during the year for surplus assets. 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 market conditions and 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 have been no transfers between the different levels of hierarchy 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 2022-23. At 31 March 2023 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment and future years budgeted to cost £77.905m. Similar commitments at 31 March 2022 were £76.456m. The major commitments (over £0.250m) are:

Capital Commitments	2021-22 £'000	2022-23 £'000
Silsden Primary School	2,352	1,404
Bingley Grammar Expansion	-	736
Wyke Sports Hub	516	-
Cricket Shield	-	509
Squire Lane	-	889
Vehicle Replacement	5,535	4,326
Bereavement Project	9,144	-
One City Park	32,102	20,264
Heaton Crematorium	-	2,536
WY+TF - Bradford to Shipley Corridor	748	419
Transforming Cities Fund	8,836	3,261
IP4 UTMC Maint & Op	500	-
South East Bradford Link Road	972	678
Smart Street Lighting	1,315	16,721
Bfd LAD2 Scheme	-	3,059
City Centre Market	14,436	8,879
Bradford Forster Square	-	11,561
Steeton/Silsden Crossing	-	1,080
Pothole Fund 2021 South	-	1,584
Total	76,456	77,905

b) Obligations Under Long-Term Contracts

There were no long term obligation at 31 March 2023 and at 31 March 2022.

Note 12. Heritage Assets

	Museum collection £000	Civic regalia £000	Statues & Monuments £000	Total Assets £000
Cost or valuation				
At 1 April 2021	35,853	1,732	113	37,698
Additions	-	-	-	-
Revaluation increases / (decreases) recognised in the revaluation reserve	(50)	-	-	(50)
At 31 March 2022	**35,803**	**1,732**	**113**	**37,648**
Cost or valuation				**-**
At 1 April 2022	35,803	1,732	113	37,648
Additions	-	-	-	-
Revaluation increases / (decreases) recognised in the revaluation reserve	1,005	333	-	1,338
At 31 March 2023	**36,808**	**2,065**	**113**	**38,986**

The Council held £38.986m heritage assets on its Balance Sheet as at 31 March 2023.

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). During 2022-23 seven paintings already included on the Balance Sheet have a revaluation increase of £135,000 following review by external valuers Christies. In addition, there have been four new valuations resulting in a revaluation increase of £255,000. Valuations for significant items of furniture, not currently included in the balance sheet figure were completed in July 2022 and has resulted in an increase in value by £615k.

In addition to external valuations the collection is considered for insurance values and four 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 the note above, only those items which have a significant individual value are included in the balance sheet. 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 carried out a full valuation of the collection as at September 2022. The valuations are based on commercial markets. The valuations are updated approximately every ten years and the next one is due to be completed in 2032. The Council's Civic Regalia is mainly held in City Hall.

Statues and external works of art

The Council includes £0.113m of Statues and Monuments on the Balance Sheet. This relates to a war memorial and a new sculpture completed in 2019-20. The value in the accounts is at historic cost.

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.

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.

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 2022-23 or 2021-22.

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 £1.505m (see below Analysis of Rental Income and Management Costs of Investments), less the decrease of £0.704m on fair value (see below reconciliation of Movements on Investments), comprise the £0.801m charge for investment properties in Note 8(b), Financing and Investment Income and Expenditure, page 53.

2021-22 £000	Investment Property Income and Expenditure	2022-23 £000
(2,044)	Rental income from investment property	(2,469)
(156)	Other income (service and other charges)	(87)
(2,200)		(2,556)
	Direct operating expenses:	
260	Repairs & maintenance	442
405	Management expenses	609
(1,535)	**Net loss / (gain)**	**(1,505)**

The movement in the fair value of investment properties over the year is summarised as:

2021-22 £000	Reconciliation of Movements on Investments	2022-23 £000
46,102	**Balance at 1 April**	**51,959**
251	Additions	86
(300)	Disposals	-
5,714	Net gains/losses(-) from fair value adjustments	(704)
	Transfers	
192	To/from Property, Plant and Equipment	-
51,959	**Balance at 31 March**	**51,341**

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. Properties valued at over £0.1m are subject to a review annually whilst those less than £0.1m are subject to a full revaluation every 5 years as part of the rolling programme, and a desktop review is undertaken on the interim years.

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 between five and ten years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.111m charged to revenue in 2022-23 (£0.117m in 2021-22) 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:

2021-22 £000	**Intangible Assets**	**2022-23 £000**
	Balance at 1 April	
19,702	· Gross carrying amounts	13,611
(19,456)	· Accumulated amortisation	(13,390)
246	Net carrying amount at start of year	**221**
92	Purchases	185
-	Other disposals	-
(117)	Amortisation for the period	(111)
221	**Net carrying amount at 31 March**	**295**
	Comprising:	
13,611	· Gross carrying amounts	13,796
(13,390)	· Accumulated amortisation	(13,501)

The intangible assets figure 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. Long Term Investment

The Council's long term investment at 31 March 2023 mainly comprise the £3.4m investment in the Regional Investment Fund (RIF) being accounted for in year.

Note 16. Long Term Debtors

These represent the value of long term advances granted by the Council. The balance owing on sale of assets on finance leases of £0.21m represents the principal element of the lease.

2021-22 £000	Analysis of Long Term Debtors	2022-23 £000
-	Former Council house tenants	-
-	Collection Fund	-
414	Car loans	452
213	Building Schools for the Future Ltd	202
847	Loans to organisations	842
4	Housing Advances	4
210	Balance owing on sale of assets on finance lease(s)	210
5,304	Other	14,182
6,992	**Total**	**15,892**

Note 17. Current Assets and Current Liabilities

Short term Debtors and Payments in Advance

General payments in advance have been shown separately since they are of significant value.

2021-22 £000	Analysis of Debtors and Payments in Advance	2022-23 £000
	Amounts falling due within one year	
30,366	Central Government bodies	21,049
9,448	Other local authorities	8,776
27,379	NHS bodies	24,252
3	Public corporations and trading funds	1
69,021	Other entities and individuals	113,617
10,253	General payments in advance	12,813
146,470	**Total**	**180,508**
	Less impairments	
17,111	Collection Fund	18,085
10,438	Other	9,895
118,921	**Net Total**	**152,528**

The net debtors have increased from a total of £118.921m at 31 March 2022 to £152.528m at 31 March 2023, an increase of £33.607m. Other entities and individuals receivable amounts include statutory debtors of £34.525m due for Council Tax and £5.507m due for NNDR in 2022-23 (£30.706m and £7.257m respectively in 2021/22). The £34.525m due for Council Tax and £5.507m due for NNDR have impairment allowances of £14.850m and £3.235m respectively in 2022-23 (£13.271m and £3.840m respectively in 2021-22).

Within the category of Other entities and individuals, £34.525m were due to council tax and £5.507m due to business rate in 2022-23 (£30.706m and £7.257m respectively in 2021/22).

Cash and Cash Equivalents

2021-22 £000	Cash and Cash Equivalents	2022-23 £000
111	Cash held by the Council	99
119,002	Bank accounts	64,823
119,113	**Total Cash and Cash Equivalents**	**64,922**
(5,949)	Cash and Cash Equivalents Overdrawn	(5,819)
113,164	**Total net Cash and Cash Equivalents** (see Cashflow statement page 19)	**59,103**

The Council also has short term borrowings of £62.64m (£56.56m 2021-22).

Creditors and Receipts in Advance

2021-22 £000	Analysis of Creditors and Receipts in Advance	2022-23 £000
	Amounts falling due within one year	
(53,751)	Central Government bodies	(23,359)
(325)	Other local authorities	(2,070)
(3,919)	NHS bodies	(2,387)
(162)	Public corporations and trading funds	(109)
(71,536)	Other entities and individuals	(82,809)
(129,693)	**Total**	**(110,735)**
	Receipts in advance	
(57,820)	Sundry	(23,569)
(5,468)	Developer's contributions	(6,554)
(63,288)	**Total**	**(30,123)**
(192,981)	**Total Creditors and Receipts in Advance**	**(140,858)**

Note 18. Assets held for sale

2021-22 £000	Current Assets held for sale	2022-23 £000
225	**Opening Balance 1 April**	**269**
-	Additions	-
1,876	Assets newly classified as held for sale: Property, Plant and Equipment	3,086
(1,832)	Assets sold	(2,764)
269	**Balance at 31 March**	**593**

Note 19. Provisions

The provisions totals of £11.375m at 31 March 2023 and £13.727m at 31 March 2022 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, £7.745m at 31 March 2023 (£10.192m at 31 March 2022). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £3.630m at 31 March 2023 (£3.535m at 31 March 2022).

	Termination	Personal Search fees	MMI Scheme of Arrangement	Outstanding legal cases	Injury and Damage Compensation Claims	Business Rate Appeals	Other	Total
	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 31 March 2021	**56**	**93**	**886**	**3,620**	**3,021**	**8,112**	**-**	**15,787**
Additional provisions made in 2021-22	722	-	-	1,148	1,762	2,990	-	**6,622**
Amounts used in 2021-22	(628)	-	(325)	(714)	(1,166)	(3,525)	-	**(6,358)**
Unused amounts reversed in 2021-22	-	-	-	(916)	(1,409)	-	-	**(2,325)**
Balance at 31 March 2022	**150**	**93**	**561**	**3,139**	**2,208**	**7,577**	**-**	**13,728**
Additional/change in provisions made in 2022-23			19	931	2,159	(1,991)	2,000	**3,118**
Amounts used in 2022-23	(150)			(1,164)	(795)	(2,095)	-	**(4,204)**
Unused amounts reversed in 2022-23				(59)	(1,205)	-	-	**(1,264)**
Balance at 31 March 2023	**-**	**93**	**580**	**2,847**	**2,366**	**3,490**	**2,000**	**11,375**
								-

Short-Term		93		1,093	1,069	3,490	2,000	**7,745**
Long-Term			580	1,307	1,744			**3,630**
Balance at 31 March 2023	-	93	580	2,400	2,813	3,490	2,000	**11,375**

The individual provisions are described below. An estimate has been made of the likely cashflows between years; however, the timing of these is uncertain.

Personal Search fees (£0.093m) – amount set aside for refund claims Personal Search companies have made from the Council. As the Council's and other authorities' charging policies were based on a statutory fee, the Council is able to reclaim any repayment from the government in due course.

MMI scheme of arrangement provision (£0.580m) – these amounts set aside to fund historic liabilities which were insured but are not fully funded by the insurance company.

Outstanding Legal Cases & Injury & Damage Compensation Claim Insurance provisions (£2.847m and £2.366m) – These provisions bear the risk of day to day losses as an alternative to providing insurance cover through external insurance companies. Losses over £250,000 are externally insured. The main areas provided for are:

2021-22 £000	Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)	2022-23 £000
12	Property	75
4,848	Liability	4,680
487	Motor	458
5,347	**Total**	**5,213**

Business Rates Appeals (£3,490m) – 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 20. Unusable Reserves

2021-22 £000	Unusable Reserve	2022-23 £000	Note
186,431	Revaluation Reserve	176,589	20a
168,173	Capital Adjustment Account	163,915	20b
(5,132)	Financial Instruments Adjustment Account	(4,855)	20c
(837,126)	Pensions reserve	(27,917)	20d
718	Deferred capital receipts reserve	258	20e
(19,800)	Collection Fund Adjustment Account	311	20f
(13,613)	Accumulated Absences Account	(11,440)	20g
(520,349)	**Total Unusable Reserves**	**296,862**	

a) Revaluation Reserve

The Revaluation Reserve is a reserve of changes to the measurable value of assets compared to the cost of acquiring them. In 2022-23, the Reserve has decreased from £186.431m to £176.589m, a decrease of £9.842m.

2021-22 £000	Revaluation Reserve	2022-23 £000
175,350	**Balance at 1 April**	**186,431**
49,758	Upward revaluation of assets	18,924
(30,707)	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	(10,154)
19,051	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**8,771**
(3,077)	Difference between fair value depreciation and historical cost depreciation	(5,047)
(4,893)	Accumulated gains on assets sold or scrapped	(13,566)
(7,970)	**Amount written off to the Capital Adjustment Account**	**(18,613)**
186,431	**Balance at 31 March**	**176,589**

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.

2021-22 £000	Capital Adjustment Account	2022-23 £000
148,854	**Balance at 1 April**	**168,173**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(34,804)	Charges for depreciation and impairment of non-current assets	(38,428)
(5,378)	Revaluation losses on Property, Plant and Equipment	424
(117)	Amortisation of Intangible Assets	(111)
(2,962)	Revenue expenditure funded from capital under statute (REFCUS)	(350)
(18,590)	disposal to the Comprehensive Income and Expenditure Statement	(54,415)
7,970	Adjusting amounts written out of the Revaluation Reserve	18,613
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year:	
1,315	Use of the Capital Receipts Reserve to finance new capital expenditure	1,325
25,198	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	33,638
9,402	Application of grants to capital financing from the Capital Grants Unapplied Account	5,995
3,982	Allocation of grants to capital financing from the Capital Grants Receipts in Advance Account	4,683
24,647	Statutory provision for the financing of capital investment charged against the General Fund	20,297
2,942	Capital expenditure charged against the General Fund balance	4,774
5,714	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(703)
168,173	**Balance at 31 March**	**163,915**

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.

2021-22 £000	Financial Instruments Adjustment Account	2022-23 £000
(5,408)	**Balance at 1 April**	**(5,132)**
256	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	256
20	Removal of Effective Interest Rate on stepped interest loans	21
276	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	**277**
(5,132)	**Balance at 31 March**	**(4,855)**

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 27 for full explanation.

2021-22 £000	Pensions Reserve	2022-23 £000
(1,234,891)	**Balance at 1 April**	**(837,126)**
486,492	Remeasurement of net defined benefit liability	886,179
(138,684)	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	(129,667)
49,957	Employer's pensions contributions and direct payments to pensioners payable in the year	52,697
(837,126)	**Balance at 31 March**	**(27,917)**

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.

2021-22 £000	Deferred Capital Receipts	2022-23 £000
1,161	**Balance at 1 April**	**718**
10	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	-
(453)	Transfer to the Capital Receipts Reserve upon receipt of cash	(460)
718	**Balance at 31 March**	**258**

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.

2021-22 £000	Collection Fund Adjustment Account	2022-23 £000
(34,881)	**Balance at 1 April**	**(19,800)**
15,081	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	20,111
(19,800)	**Balance at 31 March**	**311**

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, e.g., 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.

2021-22 £000	Accumulated Absences Account	2022-23 £000
(13,184)	**Balance at 1 April**	**(13,613)**
13,184	Settlement or cancellation of the accrual made at the end of the preceding year	13,613
(13,613)	Amounts accrued at the end of the current year	(11,440)
(429)	**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**.	**2,173**
(13,613)	**Balance at 31 March**	**(11,440)**

Note 21. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2021-22 £000	Operating activities	2022-23 £000
239	Interest Received	1,412
(33,000)	Interest paid	(33,118)
264	Dividends Received	770

b) Investing Activities

The cash flows for investing activities include the following items:

2021-22 £000	Investing Activities	2022-23 £000
(71,616)	Purchase of property, plant and equipment, investment property and intangible assets	(116,037)
(238,890)	Purchase of short term and long term investments	-
(5,152)	Other payments for investing activities	(8,881)
4,322	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,742
230,395	Proceeds from short term and long term investments	88,614
84,458	Other receipts from investing activities	48,857
3,517	**Net cash flows from investing activities**	**17,296**

c) Financing Activities

The cash flows for financing activities include the following items:

2021-22 £000	Financing Activities	2022-23 £000
42,192	Cash receipts of short and long term borrowing	147,213
(8,242)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	(8,844)
(5,648)	Repayments of short and long term borrowing	(53,341)
13,698	Other payments for financing activities	16,483
42,000	**Net cash flows from financing activities**	**101,510**

d) Reconciliation of the Surplus on the Provision of Services (See Comprehensive Income and Expenditure Account) to Operating Activities Net Cash Flow

2021-22 £000	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow	2022-23 £000
(62,497)	**Net deficit (-) / surplus for year on the Comprehensive Income and Expenditure Account**	**(185,425)**
	Add back non cash items:	
34,804	Depreciation & impairment	38,428
5,378	Impairment, revaluation gains and losses	(424)
117	Amortisation	111
88,727	IAS19 Pension adjustments	76,970
	Items on accruals basis:	
595	(Increase) / decrease in inventories	314
(6,457)	(Increase) / decrease in amounts due from Council (debtors)	(28,456)
5,754	Increase / (decrease) in amounts due to Council (creditors)	(53,866)
18,590	Carrying amount of disposals	54,415
(2,061)	Movement in provisions	(2,352)
(5,732)	Other non-cash items charged to the net surplus or deficit on the provision of services	686
139,715	**Removal of non-cash items included in Deficit/Surplus on Provision of services**	***85,827***
	Adjustments for items included in the net surplus or deficit on the Provision of services that are investing and financing activities	
(84,850)	Capital Grants credited to surplus or deficit on the provision of services	(68,986)
(3,879)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,283)
(88,729)	Sub-total items for items included in the net surplus or deficit on the **provision of services that are investing and financing activities**	**(73,269)**
(11,511)	**Operating activities - net cash flow**	**(172,867)**

e) Reconciliation of Liabilities Arising from Financing Activities

2022-23

	2021-22	Financing cash flows	Changes which are not financing cash flows		2022-23
			Other Cash Flows	Other non cash changes	
	£000	£000	£000	£000	£000
Long-term borrowings	319,494	5,159	83,496	-	408,149
Short-term borrowings	56,560	5,349	(3,349)	4,082	62,642
Lease Liabilities	795	(343)	-	202	654
On balance sheet PFI Liabilities	146,066	(8,501)	-	-	137,565
Transferred debt	3,673	(130)	-	-	3,543
Amounts owed to/from Collection Fund preceptors	(15,055)	16,483	-	-	1,428
Total Liabilities from financing activities	**511,533**	**18,016**	**80,147**	**4,284**	**613,980**

2021-22

	2020-21	Financing cash flows	Changes which are not financing cash flows		2021-22
	£000	£000	Other Cash Flows £000	Other non cash changes £000	£000
Long-term borrowings	330,531	4,494	(2)	(15,529)	319,494
Short-term borrowings	8,964	32,189	(3,453)	18,860	56,560
Lease Liabilities	931	(309)	-	173	795
On balance sheet PFI Liabilities	153,999	(7,933)	-	-	146,066
Transferred debt	3,810	(137)	-	-	3,673
Amounts owed to/from Collection Fund preceptors	(28,753)	13,698	-	-	(15,055)
Total Liabilities from financing activities	**469,482**	**42,002**	**(3,455)**	**3,504**	**511,533**

Note 22. 2022-23 Expenditure Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax and rent payers how the funding available to the Council (i.e., government grants, rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. The analysis also shows how this expenditure is allocated for decision making purposed between the Council's Services. A more detailed breakdown of the adjustments between funding and accounting basis, called Analysis of Accounting Changes, is shown below:

	Net Expenditure in the CIES	**Adjustments between Funding and Accounting Basis**	**Net Expenditure Chargeable to the General Fund**
	£000	**£000**	**£000**
Health and Wellbeing	152,699	(12,000)	140,699
Children's Services	211,033	(36,701)	174,333
Department of Place	132,808	(44,895)	87,913
Chief Executive	4,941	(705)	4,236
Corporate Resources	68,340	(16,471)	51,869
Non Service Budgets	3,369	2,880	6,249
Central Budgets	(13,015)	3,471	(9,543)
Net Cost of Services	**560,176**	**(104,420)**	**455,756**
Other Operating Expenditure	53,010	(52,911)	99
Financing and Investment income and expenditure	58,139	(21,897)	36,242
Taxation and non-specific grant income	(485,900)	77,997	(407,902)
Flexible use of Capital Receipt	-	(2,978)	(2,978)
Statutory Provision for the financing of capital investment	-	20,297	20,297
Capital Expenditure charged against the General Fund	-	4,749	4,749
Financial Instruments Adjustment Account	-	277	277
Utilisation of Earmarked Reserves	-	-	(106,193)
Surplus (-)/Deficit on Provision of Services	**185,425**	**(78,886)**	**347**
General Fund Balance brought forward			22,348
General Fund Balance carried forward			22,001

2021-22 Expenditure Funding Analysis

The Expenditure and Funding Analysis for 31 March 2022 is as follows:

	Net expenditure for 2021-22 Outturn Statement £000	Reclassification for the CIES £000	Net Expenditure in the CIES £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure Chargeable to the General Fund £000
	A	B	C = A + B	D	E = C + D
Health and Wellbeing	121,756	2,151	123,907	(12,650)	**111,257**
Children's Services	131,341	6,956	138,297	(36,587)	**101,709**
Department of Place	123,251	7,311	130,562	(50,809)	**79,753**
Chief Executive	4,863	235	5,099	(926)	**4,172**
Corporate Resources	54,842	9,016	63,858	(15,529)	**48,329**
Non-Service Budgets	(48,894)	49,964	1,069	9,196	**10,266**
Central Budgets	(19,606)	44,304	24,697	-	**24,698**
Net Cost of Services	**367,553**	**119,937**	**487,488**	**(107,305)**	**380,184**
Other Operating Expenditure	-	17,381	17,381	(14,721)	2,660
Financing and Investment income and expenditure	-	54,919	54,919	(23,162)	31,757
Taxation and non-specific grant income	(385,373)	(111,920)	(497,292)	79,439	(417,853)
Earmarked Reserves	-	-	-	(35,671)	(35,671)
Increase in School Delegated Balances	-	-	-	3,710	3,710
Statutory Provision for the financing of capital expenditure	-	-	-	7,348 24,647	7,348 24,647
Capital expenditure charged against the General Fund	-	-	-	2,942	2,942
Financial Instruments Adjustment	-	-	-	276	276
Surplus (-)/Deficit on Provision of				**(62,497)**	**(-)**
General Fund Balance brought forward					15,000
General Fund Balance carried forward					22,348

Note to the 2022-23 Expenditure Funding Analysis

	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other differences (Employee Accrual) £000	Other differences (Collection Fund & Financial Instruments) £000	Total adjustments £000
Health and Wellbeing	(1,989)	(10,254)	243	-	(12,000)
Childrens Services	(17,041)	(20,595)	935	-	(36,701)
Department of Place	(30,855)	(14,534)	494	-	(44,895)
Chief Executive	-	(738)	33	-	(705)
Corporate Resources	(7,795)	(9,026)	350	-	(16,471)
Non Service	(1)	2,881	0	-	2,880
Central Budget &Net Transfers to Reserves	3,475	-	(4)	-	3,471
Net Cost of Services	**(54,206)**	**(52,266)**	**2,053**	**-**	**(104,420)**
Other Operating Expenditure	(50,223)	(2,808)	120	-	(52,911)
Financing and Investment income and expenditure	-	(21,896)	-	-	(21,897)
Taxation and non-specific grant income	57,886	-	-	20,111	77,997
Flexible use of Capital Receipt	(2,978)	-	-	-	(2,978)
Minimum Revenue Provision	20,297	-	-	-	20,297
Direct Revenue Financing	4,749	-	-	-	4,749
Financial Instrument Adjustment Account	-	-	-	277	277
Total Adjustments between accounting basis & funding basis under regulations	**(24,476)**	**(76,970)**	**2,173**	**20,388**	**(78,886)**

Note to the 2021-22 Expenditure Funding Analysis

	Earmarked Reserves £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other differences (Employee Accrual) £000	Other differences (Collection Fund & Financial Instruments) £000	Total adjustments £000
Health and Wellbeing	-	1,472	11,105	73	-	12,650
Childrens Services	-	6,726	29,599	263	-	36,588
Department of Place	-	33,966	16,777	65	-	50,809
Chief Executive	-	-	936	(10)	-	926
Corporate Resources	-	4,788	10,668	73	-	15,530
Non Service	-	1	(9,187)	(10)	-	(9,196)
Central Budget & Net Transfers to Reserves	-	-	-	-	-	-
Net Cost of Services	**-**	**46,953**	**59,898**	**455**	**-**	**107,305**
Other Operating Expenditure		14,721				14,721
Financing and Investment income and expenditure		(5,643)	28,830	(25)		23,162
Taxation and non-specific grant income		(64,357)			(15,082)	(79,439)
Earmarked Reserves	35,671					35,671
Increase in School Delegated Balances	(3,710)					(3,710)
Increase in general fund reserve	(7,348)					(7,348)
Minimum Revenue Provision		(24,647)				(24,647)
Direct Revenue Financing		(2,942)				(2,942)
Financial Instrument Adjustment Account					(276)	(276)
Total Adjustments between accounting basis & funding basis under regulations	**24,613**	**(35,914)**	**88,727**	**430**	**(15,358)**	**62,497**

Subjective Analysis

The Council's expenditure and income is analysed as follows:

2021/22 £000	Expenditure and Income Analysed by Nature	2022/23 £000
	Expenditure	
540,644	Employee Benefits	550,447
714,663	Other Service Expenses	770,268
35,030	Depreciation, amortisation, impairment	37,975
32,878	Interest Payments	33,853
25,412	Net Interest on the Pension Net defined benefit liability / (asset)	21,896
25,566	Precepts and Levies	25,782
14,737	(Gain) / Loss on the disposal of assets	50,131
1,388,929	**Total Expenditure**	**1,490,353**
	Income	
(151,291)	Fees, charges and other service Income	(171,883)
(601)	Interest and investment income	(2,182)
(268,960)	Income from council tax, non-domestic rates	(319,225)
(905,580)	Grants and Contributions	(811,639)
(1,326,432)	**Total Income**	**(1,304,928)**
62,497	**Surplus or Deficit on the Provision of Service**	**185,425**

Note 23. Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2022-23 or 2021-22.

Note 24. Pooled Budgets

Better Care Fund

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 and iBCF in 2022-23 was £72.852m. It is a pooled budget with the NHS West Yorkshire Integrated Care Board (ICB). From 1st July 2022, the NHS West Yorkshire Integrated Care Board (ICB) took over from Bradford and Craven Clinical Commissioning Group (CCG).

Pooled Budgets Arrangements Under Section 31 of the Health Act 1999, and Section 75 of the Health Act 2006	**2021-22 £000**	**2022-23 £000**
Funding provided:		
Bradford & Airedale Community Equipment	1,563	1,652
Care Bill Implementation support	1,417	1,417
Protect Social Services	18,473	19,741
Reablement	1,558	1,558
Carers	960	960
Capital Funding	5,137	5,137
Total LA Better Care Fund	**29,107**	**30,464**
ICB's Better Care Fund	17,982	18,999
iBCF	22,701	23,388
Total Better Care Fund funding	**69,790**	**72,852**
Total expenditure	**69,394**	**73,319**
Balance to carry forward	**396**	**(467)**

Whilst the section 75 agreement with the NHS West Yorkshire Integrated Care Board does constitute a 'joint operation' under IFRS 11, the substance of the commissioning transactions related to the Fund's spending plans indicate that neither NHS West Yorkshire Integrated Care Board (ICB) nor City of Bradford Metropolitan District Council are either a joint operator or lead commissioner, but are acting as single entities, with the exception of the Community Equipment Scheme. Therefore, each organisation accounts for its own transactions without recognising its interest in its share of total assets, liabilities, revenue and expenditure that relate to the whole Fund.

For the Community Equipment scheme where there is a joint operation. The ICB's share of assets and liabilities relating to the Community Equipment scheme are not recognised in the Accounts as the values are not considered to be material.

Note 25. 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 12,357 participating employers in 2022-23, including 173 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 2023, the Council's own contributions equate to approximately 0.19%.

In 2022-23, the Council paid £17.484m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2021-22 were £18.889m and 23.68%. There were contributions remaining payable at the year-end of £1.371m. The contributions due to be paid in the next financial year are estimated to be £17.484m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Pension Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 26.

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 and Social Care (DoHSC). 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 7,857 participating employers as at 31 March 2023, including 126 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 2023, the Council's own contributions equate to approximately 0.002%.

In 2022-23, the Council paid £0.271m to NHS Pensions in respect of the relevant employees' retirement benefits, representing 14.38% of pensionable pay, plus an additional £0.022m, representing 2.5% of pensionable pay. The figures for 2021-22 were £0.143m and 14.38%, plus an additional £0.024m and 2.5%. There were contributions remaining payable at the year-end of £0.022m. The contributions due to be paid in the next financial year are estimated to be £0.270m.

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 26.

The Council is not liable to the scheme for any other entities' obligations under the plan.

Note 26. 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:

a) 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 career average defined benefit scheme. This means 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 2019 for the three years 1 April 2020 to 31 March 2023. 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 2022-23 in respect of Bradford members of the West Yorkshire Pension Fund was 17.1%.

b) 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	
	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
· Current service cost*	113,272	106,881	-	-	-	-	113,272	106,881
· Past service costs	-	890	-	-	-	-	-	890
· Gain (-) / loss from settlements	-	-	-	-	-	-	-	-
Financing and Investment Income and Expenditure								
· Net interest expense	23,147	19,249	799	931	1,466	1,716	25,412	21,896
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**136,419**	**127,020**	**799**	**931**	**1,466**	**1,716**	**138,684**	**129,667**
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)	(211,202)	61,015	-	-	-	-	(211,202)	61,015
· Actuarial gains (-) and losses arising on changes in demographic assumptions	(21,684)	-	(546)	975	(991)	1,590	(23,221)	2,565
· Actuarial gains (-) and losses arising on changes in financial assumptions	(215,298)	(1,203,142)	(880)	(5,815)	(1,662)	(11,018)	(217,840)	(1,219,975)
· Actuarial gains (-) and losses due to liability experience	(34,642)	261,509	145	2,991	267	5,716	(34,230)	270,216
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**(346,407)**	**(753,598)**	**(482)**	**(918)**	**(920)**	**(1,996)**	**(347,809)**	**(756,512)**
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	(136,419)	(127,020)	(799)	(931)	(1,466)	(1,716)	(138,684)	(129,667)
Actual amount charged against the General Fund balance for pensions in the year:								
· Employers' contributions payable to the scheme	41,427	44,359	-	-	-	-	41,427	44,359
· Retirement benefits payable to pensioners	-	-	3,144	3,047	5,386	5,291	8,530	8,338

* The current service cost includes an allowance for the administration expenses of £0.932m in 2022-23 (£0.908m in 2021-22).

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:

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total Per Balance sheet	
	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000
Present value of the defined benefit obligation	3,317,144	2,485,328	35,978	32,013	66,177	58,890	3,419,299	2,576,231
Fair value of plan assets	2,582,173	2,548,314	-	-	-	-	2,582,173	2,548,314
Net liability arising from defined benefit obligation - Closing balance at 31 March	**734,971**	**(62,986)**	**35,978**	**32,013**	**66,177**	**58,890**	**837,126**	**27,917**

The council's net pensions liability has decreased by £809.209m since 31st March 2022. The primary reason for this was a reduction in the current value of the pension liabilities because of large improvement to the actuarial assumptions, and in particular a significant increase in the discount rate which is used for determining the current value of the future liabilities. The value of pension fund assets showed a small decrease, as a result of worse than expected performance from the pension fund's assets during the year.

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:

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	
	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000
Opening balance at 1 April	**2,355,092**	**2,582,173**	**-**	**-**	**-**	**-**	**2,355,092**	**2,582,173**
Interest income on assets	49,118	69,168	-	-	-	-	49,118	69,168
Re-measurement gains and losses (-) on assets	211,202	(61,015)	-	-	-	-	211,202	(61,015)
Contributions from employer	41,427	44,359	3,144	3,047	5,386	5,291	49,957	52,697
Contributions from employees into the scheme	15,167	16,113	-	-	-	-	15,167	16,113
Benefits paid*	(89,833)	(102,484)	(3,144)	(3,047)	(5,386)	(5,291)	(98,363)	(110,822)
Net increase in assets from disposals/acquisitions	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Closing balance at 31 March	**2,582,173**	**2,548,314**	**-**	**-**	**-**	**-**	**2,582,173**	**2,548,314**

* 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):

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Local Government Pension Scheme Discretionary		Unfunded Liabilities: Teachers Voluntary Early Retirement Discretionary		Total	
	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000	2021-22 £000	2022-23 £000
Opening balance at 1 April	**3,477,897**	**3,317,144**	**39,604**	**35,978**	**72,483**	**66,177**	**3,589,984**	**3,419,299**
Current service cost	113,272	106,881	-	-	-	-	113,272	106,881
Interest cost	72,265	88,417	799	931	1,466	1,716	74,530	91,064
Contributions from scheme participants	15,167	16,113	-	-	-	-	15,167	16,113
Remeasurement gains (-) and losses:								
Actuarial gains (-) and losses arising from changes in demographic assumptions	(21,684)	-	(546)	975	(991)	1,590	(23,221)	2,565
Actuarial gains (-) and losses arising from changes in financial assumptions	(215,298)	(1,203,142)	(880)	(5,815)	(1,662)	(11,018)	(217,840)	(1,219,975)
Actuarial gains (-) and losses due to liability experience	(34,642)	261,509	145	2,991	267	5,716	(34,230)	270,216
Past service costs	-	890	-	-	-	-	-	890
Benefits paid	(89,833)	(102,484)	(3,144)	(3,047)	(5,386)	(5,291)	(98,363)	(110,822)
Net increase in liabilities from disposals/acquisitions	-	-	-	-	-	-	-	-
Liabilities extinguished on settlements	-	-	-	-	-	-	-	-
Closing balance at 31 March	**3,317,144**	**2,485,328**	**35,978**	**32,013**	**66,177**	**58,890**	**3,419,299**	**2,576,231**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

Active Members	35%
Deferred Pensioners	13%
Pensioners	52%

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	31st March 2022	31st March 2022	31st March 2023	31st March 2023	31st March 2023	31st March 2023	31st March 2023	31st March 2023
	Total £000	Total %	Quoted £000	Quoted %	Unquoted £000	Unquoted %	Total £000	Total %
Equity investments	2,060,574	79.8	1,684,436	66.1	374,602	14.7	2,059,038	80.8
Government bonds	191,082	7.4	175,834	6.9	-	-	175,834	6.9
Other bonds	123,944	4.8	117,222	4.6	-	-	117,222	4.6
Cash	74,883	2.9	-	-	58,611	2.3	58,611	2.3
Property	103,287	4.0	28,031	1.1	56,063	2.2	84,094	3.3
Other assets	28,404	1.1	-	-	53,515	2.1	53,515	2.1
Total	**2,582,174**	**100**	**2,005,523**	**78.7**	**542,791**	**21.3**	**2,548,314**	**100**

A more detailed breakdown of assets and associated risks are published in the accounts for the West Yorkshire Pension Fund, please refer to:

- the West Yorkshire Pension Fund Financial Statements and Explanatory Notes in City of Bradford Metropolitan District Council's accounts, available at www.bradford.gov.uk
- 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 Solutions UK 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 2022. 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-Mar-22	**31-Mar-23**	**31-Mar-22**	**31-Mar-23**	**31-Mar-22**	**31-Mar-23**
Mortality Assumptions	years	years	years	years	years	years
Longevity at 65 for current pensioners (aged 65 at accounting date):						
Men	21.5	21.6	21.8	21.6	21.8	21.6
Women	24.5	24.6	24.6	24.6	24.6	24.6
Longevity at 65 for future pensioners (aged 45 at accounting date):						
Men	22.8	22.9	-	-	-	-
Women	25.6	25.7	-	-	-	-

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.

Financial assumptions	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Rate of CPI inflation	3.0	2.7	3.0	2.7	3.0	2.7
Rate of increase in salaries	4.25	3.95	-	-	-	-
Rate of increase in pensions	3.0	2.7	3.0	2.7	3.0	2.7
Pension accounts revaluation rate	3.0	2.7	-	-	-	-
Discount rate	2.7	4.7	2.7	2.7	2.7	2.7

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has 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	2,420,709	-2.6	2,549,947	2.6
Rate of increase in salaries - increase or decrease by 0.1%	2,490,299	0.2	2,480,357	-0.2
Rate of increase in pensions - increase or decrease by 0.1%	2,522,608	1.5	2,450,533	-1.4
Discount rate i.e. Rate for discounting scheme liabilities - increase or decrease by 0.1%	2,445,563	-1.6	2,527,579	1.7

* 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 2023. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2025.

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 2024 are £44.394m.

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 2024 are £3.355m and £5.825m, respectively.

The weighted average duration of the funded defined benefit obligation for the Local Government Pension Scheme (LGPS) is 16.5 years at 31 March 2023 (19.5 years at 31 March 2022).

The weighted average duration of the unfunded defined benefit obligation for Local Government Pension Scheme (LGPS) Discretionary Benefits is 7.0 years at 31 March 2023 (8.6 years at 31 March 2022) & the weighted average duration of the unfunded defined benefit obligation for Teachers Voluntary Early Retirement Discretionary Benefits is 7.1 years at 31 March 2023 (8.9 years at 31 March 2022).

Note 27. Members' Allowances

The Council paid the following amounts to Members during the year.

Members Allowances	2021-22 £000	2022-23 £000
Basic Allowances	1,217	1,202
Special Responsibility Allowances	557	542
Expenses	1	2
Total	1,775	1,746

Note 28. 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 2021-22	Employees Emoluments	Number of Employees 2022-23
186	£50,000 - £54,999	268
110	£55,000 - £59,999	138
43	£60,000 - £64,999	65
37	£65,000 - £69,999	38
36	£70,000 - £74,999	31
32	£75,000 - £79,999	36
21	£80,000 - £84,999	19
15	£85,000 - £89,999	16
5	£90,000 - £94,999	8
3	£95,000 - £99,999	3
5	£100,000 - £104,999	7
1	£105,000 - £109,999	1
1	£110,000 - £114,999	3
0	£115,000 - £119,999	0
1	£120,000 - £124,999	0
0	£125,000 - £129,999	0
0	£130,000 - £134,999	1
1	£135,000 - £139,999	0
0	£140,000 - £144,999	0
0	£145,000 - £149,999	1
0	£150,000 - £154,999	0
1	£155,000 - £159,999	0
0	£160,000 - £164,999	0
0	£165,000 - £169,999	0
0	£170,000 - £174,999	0
0	£175,000 - £179,999	0
498	Total	635

The above figures include 322 teachers (263 in 2021-22). The Employee Remuneration Note excludes Senior Officers salaries, which is shown in a separate note below.

The above table includes compensation payments for loss of employment.

Senior Officers Remuneration

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 either:

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) A person for whom the head of the authority's paid service is directly responsible,
c) The head of staff for a relevant body which does not have a designated head of paid service; or
d) 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.

2022-23 Senior Officers (excluding Employer Pension contributions)

The following table set out the remuneration disclosures for Senior Officers whose annual salary is more than £150,000.

Post Title	Salary including Fees & Allowances	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding Pensions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Chief Executive - Kersten England	199,472			466	199,938	34,110	234,048
Strategic Director Corporate Resources - Joanne Hyde	152,987				152,987	26,161	179,148
Strategic Director Health & Wellbeing - Iain MacBeath	152,987				152,987	26,161	179,148
Strategic Director Place to 16/10/22 - Jason Longhurst	85,760				85,760	14,206	99,966

2022-23 Senior Officers' Remuneration (annual salary is less than £150,000)

Post Title	Salary including Fees & Allowances	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding Pensions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Strategic Director Place from 02/01/23	36,111				36,111	6,175	42,286
Strategic Director Children's Services from 20/01/23 (formerly Interim Strategic Director Children's Services to 19/01/23)	147,295				147,295	25,200	172,495
Director of Finance & IT (formerly Director of Finance) to 31/12/22	100,279				100,279	15,862	116,141
Director of Human Resources	108,602				108,602	18,571	127,173
Director of Legal & Governance from 12/09/22	56,756				56,756	9,705	66,461
City Solicitor to 03/04/22	905				905	155	1,060
Director of Public Health	108,602				108,602	18,332	126,934
Assistant Director - Office of the Chief Executive	102,674				102,674	17,557	120,231
Strategic Equality, Diversity & Inclusion Lead from 09/05/22	62,781				62,781	10,770	73,551
Executive Director Bradford Children and Families Trust Ltd - Charlotte Ramsden from 20/02/23 to 31/03/23. This post transferred to the Bradford Children and Families Trust Ltd on 01/04/23.	18,720				18,720	3,201	21,921
Director of Research Health Determinants Research Collaboration (HDRC) from 27/03/23. This post is fully funded through an award from the National Institute for Health Research.	948				948	162	1,110
West Yorkshire Pension Fund							
Managing Director - West Yorkshire Pension Fund from 31/10/22~	61,233				61,233	10,471	71,704
Managing Director West Yorkshire Pension Fund (formerly Director West Yorkshire Pension Fund) to 09/03/23~	129,899				129,899	22,213	152,112
Chief Investment Officer - West Yorkshire Pension Fund Leandros Kalisperas from 30/12/22 (new post)	51,075				51,075	8,734	59,809
Bradford Council administers the West Yorkshire Pension Fund on behalf of its participating employers and members. WYPF sets its own budgets and all costs, including payroll costs, are absorbed by the Fund; they are not paid by Bradford Council.							
~ The new Managing Director was appointed in advance of the retirement of the Managing Director to ensure a smooth transfer of management.							

2021-22 Senior Officers (excluding Employer Pension contributions)

Post Title	Salary including Fees & Allowances	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding Pensions	Pension Contributions	Total Remuneration including pension
	£	£	£	£	£	£	£
Chief Executive - Kersten England	197,547	-	-	-	197,547	33,780	231,327
Strategic Director Corporate Resources - Joanne Hyde	151,062	-	-	-	151,062	25,832	176,894
Strategic Director Health & Wellbeing - Iain MacBeath	151,062	-	-	-	151,062	25,832	176,894
Strategic Director Place from 01/09/21 - Jason Longhurst	88,120	-	-	-	88,120	15,068	103,188
Interim Strategic Director Children's Services from 01/11/21	60,038	-	-	-	60,038	10,266	70,304
Director of Finance	115,471	-	-	-	115,471	19,746	135,217
Director West Yorkshire Pension Fund	115,112	-	-	-	115,112	19,684	134,796
Director of Human Resources	106,677	-	-	-	106,677	18,242	124,919
City Solicitor	106,677	-	-	-	106,677	18,242	124,919
Director of Public Health	106,677	-	-	-	106,677	18,007	124,684
Assistant Director - Office of the Chief Executive from 01/10/21 (previously Acting Assistant Director - Office of the Chief Executive from 29/06/20)	100,749	-	-	-	100,749	17,228	117,977

Note 29. 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	Cost to Council	Cost Bandings	Number of Exit Packages	Cost to Council
2021-22	2021-22 £		2022-23	2022-23 £
4	30,435	£0 - £19,999	6	69,378
-	-	£20,000 - £39,999	-	-
-	-	£40,000 - £59,999	-	-
-	-	£60,000 - £79,999	-	-
-	-	£80,000 - £99,999	1	90,287
2	213,353	£100,000 - £149,999	4	498,360
-	-	£150,000 - £199,999	-	-
1	225,687	£200,000 - £249,999	-	-
7	**469,475**	**Total**	**11**	**658,025**

Other Departures				
Number of Exit Packages	Cost to Council	Cost Bandings	Number of Exit Packages	Cost to Council
2021-22	2021-22 £		2022-23	2022-23 £
59	267,535	£0 - £19,999	21	149,710
8	226,484	£20,000 - £39,999	5	137,500
-	-	£40,000 - £59,999	4	197,414
1	61,594	£60,000 - £79,999	1	60,136
-	-	£80,000 - £99,999	-	-
-	-	£100,000 - £149,999	-	-
-	-	£150,000 - £199,999	-	-
-	-	£200,000 - £249,999	-	-
68	**555,613**	**Total**	**31**	**544,760**

The Exit Packages table excludes exit packages to senior officers, which, if applicable, are shown in a separate note above.

Note 30. 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 non-current 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.

The MRP for 2022-23 is £20.297m (2021-22 £24.647m).

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 £4.774m in 2022-23 (£2.943m in 2021-22) is not shown in the Comprehensive Income and Expenditure Statement 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 £50.130m in 2022-23 is made up of £54.414m from the de-recognition of assets and £4.284m in capital receipts. There was a loss on disposal largely due to schools that were de-recognised from assets when they converted to Academies. 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 31. Leases

Council as Lessee

Finance Leases

The Council has a number of assets which have been acquired under finance leases. These include 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 2022 £000	Finance Leases as Lessee	31 March 2023 £000
887	Vehicles, Plant, Furniture and Equipment	756
887	**Total**	**756**

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 2022 £000	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2023 £000
292	Current	262
503	Non-current	392
20	Finance costs payable in future years	13
815	**Total Minimum Lease Payments**	**667**

The minimum lease payments will be payable over the following periods:

Minimum Lease payments payable over the following periods	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000	31 March 2023 £000
Not later than one year	301	268	292	262
Later than one year and not later than five years	514	399	503	392
Total	**815**	**667**	**795**	**654**

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.

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 2022-23 was £1.41m (£1.527m 2021-22).

The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2022	Operating Leases	31 March 2023
£000		£000
944	Not later than one year	865
2,395	Later than one year and not later than five years	2,301
2,185	Later than five years	1,488
5,524	**Total**	**4,654**

Council as Lessor

Finance Leases

The Council has leased out one property for 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 2022	Finance lease debtor (net present value of minimum lease payments)	31 March 2023
£000		£000
210	Non-current	210
2,468	Unearned finance income	2,442
2,678	**Gross Investment in the Lease**	**2,652**

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 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000
Not later than one year	26	26	26	26
Later than one year and not later than five years	105	105	105	105
Later than five years	2,547	2,520	2,547	2,520
Total	**2,678**	**2,651**	**2,678**	**2,651**

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 lease at the 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.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2022 £000		31 March 2023 £000
2,907	Not later than one year	2,499
5,938	Later than one year and not later than five years	5,331
54,673	Later than five years	52,986
63,518	**Total**	**60,816**

The minimum lease payments receivable does 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 2022-23 £0.355m contingent rents were receivable by the Council (2021-22 £0.338m).

Note 32. Private Finance Initiative

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.

2021-22 £000	BSF Private Financing Initiative	2022-23 £000
	Charges to Net Cost of Services	
5,525	Unitary Payments to the Contractor for services provided	6,569
5,525	**Total charges to the revenue account**	**6,569**
	Net Operating Expenditure	
5,294	Interest element of finance lease payments	4,778
	Movement in Reserves Statement	
2,715	Capital element of finance lease	2,851
13,534	**Total PFI charges**	**14,198**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
4,777	Education	5,146
-	Council and Schools contribution	-
13,782	**Total Financing**	**14,151**
248	**Transfer to BSF PFI Reserve**	**(47)**

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 Academies. 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 2023 are as follows:

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within 1 year	12,814	3,230	4,478	5,106
2-5	52,755	16,629	15,990	20,136
6-10	69,609	29,686	11,617	28,306
11-15	5,523	3,160	174	2,189
Total	**140,701**	**52,705**	**32,259**	**55,737**

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:

2021-22 £000	Analysis of Outstanding Liability for BSF Phase 1	2022-23 £000
58,271	**Balance outstanding at 31 March**	**55,556**
(2,715)	Payments during the year	(2,851)
55,556	**Balance outstanding at year end**	**52,705**

The closing value of assets held under the scheme at 31 March 2023 was £22.963m (£22.980m 31 March 2022) 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 2023 were £52.705m (£55.556m at 31 March 2022). The decrease of £2.851m 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.

2021-22 £000	BSF Private Financing Initiative	2022-23 £000
	Charges to the Revenue Account	
11,020	Unitary Payments to the Contractor for services provided	11,228
11,020	**Total charges to the revenue account**	**11,228**
	Net Operating Expenditure	
11,244	Interest element of finance lease payments	11,721
	Statement of Movement on the General Fund Balance	
5,219	Capital element of finance lease	5,650
27,483	**Total PFI charges**	**28,599**
	Financed By	
18,297	Government PFI Revenue Grant	18,297
9,337	Education	9,914
-	Council and Schools contribution	-
27,634	**Total Financing**	**28,211**
151	**Transfer to BSF PFI Reserve**	**(388)**

The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March 2023 are as follows:

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within 1 yr	26,708	5,434	10,564	10,710
2-5	109,776	23,639	40,854	45,283
6-10	144,406	33,274	44,722	66,410
11-15	89,511	22,512	22,416	44,583
Total	**370,401**	**84,859**	**118,556**	**166,986**

The liability outstanding to the contractor for capital expenditure incurred is as follows:

2021-22 £000	Analysis of Outstanding Liability for BSF Phase 2	2022-23 £000
95,728	**Balance outstanding at 31 March**	**90,509**
(5,219)	Payments during the year	(5,650)
-	Capital Expenditure incurred in the year	-
90,509	**Balance outstanding at year end**	**84,859**

The closing value of assets held under the scheme at 31 March 2023 was £9.956m (£34.779m 31 March 2022) 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 Special School. The liabilities (i.e. the total principal repayments due over the life of the scheme) due on these assets at 31 March 2023 were £84.859m (£90.509m 31 March 2022).

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 £32.919m, per Note 9 and the total liabilities are £137.564m. The total excess of liabilities over assets for BSF Phase 1 and 2 is £104.645m. This reduces the Council's Net Assets as shown in its Balance Sheet, by £104.645m.

Note 33. 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:

2021-22 £000	Capital Expenditure and Capital Financing Requirement	2022-23 £000
698,763	**Opening Capital Financing Requirement**	**712,094**
	Capital investment	
72,361	Property, Plant and Equipment	114,881
251	Investment properties	86
92	Intangible Assets	184
27,229	Revenue Expenditure funded from Capital under statute	30,055
5,152	Capital loans	8,878
	Sources of Finance	
(1,315)	Capital Receipts Applied	(1,325)
(62,848)	Government grants and other contributions	(70,546)
(2,943)	Sums set aside from revenue	(4,774)
(4,618)	Repayment of Principal on PFI and Other Finance Leases	(3,234)
(19,885)	MRP	(16,924)
(145)	Payments of Principal on Long-Term Liabilities	(139)
712,094	**Closing Capital Financing Requirement**	**769,236**
	Explanation of movements in year	
	Increase/(decrease) in underlying need to borrow	
13,159	(unsupported by government financial assistance)	56,777
172	Assets acquired under finance leases	365
13,331	**Increase/ (decrease) in Capital Financing Requirement**	**57,142**

Note 34. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

These are payments of a capital nature where no non-current asset is created, mainly grants made to individuals or organisations for capital purposes, such as improvement grants.

The cost of revenue expenditure funded from capital under statute (REFCUS) in the year was £30.055m (£27.229m in 2021-22). Grants of £26.230m funded this in year REFCUS expenditure (£24.267m in 2021-22), including £15.131m transferred from the Capital Grants Unapplied reserve (£3.774m in 2021-22).

Note 35. Long Term Liabilities

The main liability is in respect of the actuarially calculated pension liability £27,917m at 31 March 2023, which was £746.223m lower when compared to balance at 31 March 2022. This was due to the large improvement in financial assumptions, in particular the increase in the discount rate used. Please see note 26 for more detail.

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 2023 was £137.564m (£146.066m at 31 March 2022), of which £128.900m is a deferred liability and £8.664m a creditor in respect of the 2023-24 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 2023 was £3.070m (£3.198m at 31 March 2022).

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.

2021-22 £000	Other Long Term Liabilities	2022-23 £000
837,126	Pension Liability	**27,917**
	PFI & Other Long Term liabilities	
	BSF	
52,706	Phase 1	49,475
84,859	Phase 2	79,425
3,198	Waste Management Joint Committee Debt	3,070
976	Other	864
141,739	**Total**	**132,834**

The combined liability shown on the Balance Sheet of PFI Phase 1 and Phase 2 is £128.9m. As with all the Long-Term liabilities and current liabilities, the liability of £128.9m 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 £18.297m for Phase 2, totaling £27.301m, see Note 41. The Phase 1 grant will be paid until 2033 and the Phase 2 grant will be paid until 2036.

Note 36. Deferred Income

There was no deferred income in 2022-23.

Note 37. Related Party Transactions

The Council is required to disclose material transactions with related parties – Bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in note 41.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2022-23 is shown in note 27. Where members have an interest in companies or other organisations, details of such interests are recorded in the Register of Members' Interests which is open to public inspection.

During 2022-23, material transactions totalling approximately £7.518m (£1.384m 2021-22) net expenditure took place with such organisations. £2.104m (£1.582m 2021-22) of income from related parties (of which £0.375m (£0.229m 2021-22) is still outstanding) has been netted off £9.622m (£2.961m 2021-22) of expenditure on related parties. Among those transactions, works and services to the value of £2.2m were commissioned from Bradford Trident in which three members had an interest; a total of £2.5m was commissioned with PricewaterhouseCoopers where the council member was also an employee of during the year. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £1.8m was made to Bradford College whose senior management included close members of the family of the member.

Members and Senior Officers (Chief Executive and Directors) are requested to complete a voluntary declaration of any transactions in which they have a pecuniary interest in accordance with section 117 of the Local Government Act 1972.

Other Public Bodies (subject to common control by central government) - The Council has a number of transactions with other public bodies including National Health Service bodies, other Councils and the Pension Fund. The following transactions are disclosed in other notes:

- Precepting authorities – Comprehensive Income and Expenditure Statement and Collection Fund
- Pension Fund – Notes 25 and 26
- Pooled Budgets – Note 24

Also, National Health Service bodies make payments towards the nursing costs of Council funded residents in care homes.

West Yorkshire Combined Authority

The Council pays a transport levy towards the services provided by the West Yorkshire Combined Authority. The amount paid in 2022-23 was £22.9m (£22.9m in 2021-22). The Leader of Bradford Council is a member of the Combined Authority. In addition to the transport levy, payments of £1.4m have been made to West Yorkshire Combined Authority in 2022-23 (£2.4m in 2021-22). As at 31 March 2023, balances that were outstanding with WYCA were a short-term debtors balance of £23.3m and a short-term creditors balance of £1.9m.

Bradford Council's Group

The Council does not have any interests in outside companies or organisations which are sufficiently material to require the production of group accounts in 2022-23.

The Authority has a temporary controlling interest in Bradford Live (09083953). During 2022-23 expenditure has been incurred to the value of £10.326m with Bradford Live (£5.154m in 2021-22), of which £8.878m classed as a loan to Bradford Live (£4.773 loan made in 21-22).

Note 38. External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts:

2021-22 £000	External Audit Costs	2022-23 £000
143	External audit services	156
9	Certification of grant claims and returns	32
152	**Total**	**188**

Note 39. 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).

Bradford was allocated £634.834m for financial year 2022-23 (£605.487m in 2021-22), see the table below:

Dedicated Schools Grant	Total	Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)
	2021-22 £000	**2021-22** £000	**2021-22** £000	**2022-23** £000	**2022-23** £000	**2022-23** £000
Final DSG before Academy Recoupment	605,487			634,834		
Academy Recoupment	(326,968)			(358,970)		
Total DSG after Academy Recoupment	**278,519**			**275,864**		
Plus DSG b/f from previous year	27,550			33,825		
DSG carry forward to following year agreed in advance	(24,458)			(30,952)		
Agreed Budget Distribution	**281,611**	**26,132**	**255,479**	**278,737**	**34,024**	**244,713**
In Year Adjustments	(1,043)		(1,043)	287	-	287
Final Budgeted Distribution	**280,568**	**26,132**	**254,436**	**279,024**	**34,024**	**245,000**
Less Actual ISB deployed to schools	27,674	27,674	-	36,425	36,425	-
Less Actual Central Expenditure	243,527	-	243,527	237,030	-	237,030
Carry Forward	**9,367**	**(1,542)**	**10,909**	**5,569**	**(2,401)**	**7,970**
Carry Forward agreed in Advance	24,458	4,626	19,832	30,952	2,401	28,551
Total Carry Forward	**33,825**	**3,084**	**30,741**	**36,521**	**-**	**36,521**

* The DSG after Academy Recoupment of £275.864m is the same as is shown in the grants Note 41.

Note 40. Contingent Liabilities

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.

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%. An additional levy was triggered for a further £19k in 2022-23, for which a provision was set aside as at 31 March 2023 (Please see Provisions, Note 19).

If the levy is increased to 100% this would generate a potential cost over £1 million but this is considered unlikely and would be over the long-term.

Search Fees

A group of Personal Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council agreed to settle and some costs have been previously settled. It is possible that additional claimants may come forward to submit claims for refunds. An amount of £0.1m is set aside within provisions for refund of search fees (Please also see Provisions, Note 19).

Given that most claims have come forward, the cost of any further claims is expected to be minimal.

Compulsory Purchase Order

The Council is currently in the process of a compulsory land purchase, where negotiations are ongoing but may result in a referral to the Tribunal for determination – the current value of the claim is in the order of £1m (including costs), but the Tribunal will determine the quantum.

Note 41. 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 2022-23:

Grant Income	2021-22 £000	2022-23 £000
Credited to Net cost of Services		
Dedicated Schools Grant (DSG)	278,519	275,864
Rent Allowance Subsidy	110,731	104,534
Public Health	42,675	43,873
Pupil Premium	13,350	14,517
PFI Revenue Support	27,301	27,301
Education and Schools	28,190	25,435
Disabled Facilities Grant	-	5,208
Social Care Support	17,894	24,312
NHS Adult Social Care	22,701	23,388
Independent Living Fund		8,170
DLUHC Services Grant	-	10,584
Household Support Fund	-	11,389
Revenue Expenditure Funded from Capital under Statute (REFCUS)	20,493	-
Other Grants under £5,000k	34,421	34,134
Total	**596,275**	**608,710**
Covid 19 Grants Credited to Net Cost of Services		
Contain Management Outbreak Fund (including Test and Trace)	4,780	-
Infection Control Grant	5,305	-
Household Support Fund	5,694	-
Additional Restrictions Grant	14,347	-
Other Covid Grants Under £5,000k	17,198	-
Total Covid Grants credited to Cost of Service	**47,324**	**-**
Total Grants Credited to Cost of Service	**643,599**	**608,710**

Credited to Taxation and Non Specific Grant Income	**2021-22 £000**	**2022-23 £000**
Revenue Support Grant	34,800	35,875
Top Up Grant	69,259	69,259
New Homes Bonus Grant	2,046	2,014
Small Business Rates and other Section 31 grants including National Levy surplus	28,716	35,473
Local Services Support Grant	1,658	1,645
Covid 19 Support Grant	18,524	-
Income Compensation Scheme	2,848	-
Council Tax Hardship Grant	6,124	-
Total	**163,975**	**144,266**

There was no Business Grants on which the Council acted as agent during 2022-23.

Capital Grants Receipts in Advance

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:

Capital Grants Receipts in Advance	**2021-22 £000**	**2022-23 £000**
Developer's contributions	13,904	15,908
Total (See Balance Sheet)	**13,904**	**15,908**

Note 42. 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 13.

Note 43. Financial Instruments

A financial instrument is a 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. Non exchange transactions such as those relating to taxes and government grants, do not give rise to financial instruments.

The Council's assets and liabilities are carried at amortised cost – a measure reflecting transactional cashflows. This note gives details about the Council's financial assets and liabilities, and the fair value of these at the balance sheet date (this can differ from the carrying amount).

The following categories of financial instrument are carried on the Balance Sheet:

	Long-term		Current	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£000	£000	£000	£000
Financial assets held at amortised costs				
Investments (Principal amount)	-	-	88,512	-
Investments Accrued Interest	-	-	121	44
Cash & Cash Equivalents	-	-	119,094	64,878
Equity Investments	1	1	-	-
Regional Investment Fund	-	3,474	-	-
Long term Debtors	6,992	15,892	244	273
Debtors	-	-	45,492	80,039
Total Financial Assets	**6,993**	**19,367**	**253,463**	**145,234**
Financial liabilities held at amortised cost				
Loans (Principal amount)	323,166	411,690	59,299	64,492
Accrued Interest	-	-	3,349	4,102
PFI and finance lease liabilities	138,068	129,292	8,793	8,926
Current Creditors	-		42,687	49,117
Total Financial Liabilities	**461,234**	**540,982**	**114,128**	**126,637**

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 Financial Instruments

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. 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:

2021-22 Carrying amount	2021-22 Fair value	Fair value level	Fair value of liabilities carried at amortised cost at 31 March	Fair value level	2022-23 Carrying amount	2022-23 Fair value
£000	**£000**				**£000**	**£000**
292,336	350,910	2	PWLB Loans	2	366,823	338,691
37,775	52,338	2	LOBO's	2	37,756	34,409
5,594	5,594	2	Other loans	2	12,109	12,109
40,349	40,349		Short term borrowing		54,102	54,102
5,949	5,949		Cash overdrawn		5,819	5,819
3,471	5,033	2	Other local authorities re joint services	2	3,332	3,985
340	340		Other		343	343
146,861	146,861	2	PFI and finance lease liabilities	2	138,218	138,218
42,687	42,687		Current Creditors at contracted amounts		49,117	49,117
575,362	**650,061**		**Total Liabilities**		**667,619**	**636,793**

The fair value of liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders lower 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 2022-23 the fair value would be calculated as £370.361m.

The above fair values are judged to be level 2 in the fair value hierarchy, using significant observable inputs. There were no transfers between input levels in the fair value hierarchy during the year.

Financial Assets that mature within one year are carried at cost as this is a fair approximation of their value, as reflected in the following table.

2021-22 Carrying amount	2021-22 Fair value	Fair value level	Fair value of assets carried at amortised cost at 31 March	Fair value level	2022-23 Carrying amount	2022-23 Fair value
£000	£000				£000	£000
88,614	88,614		Investments		-	-
119,113	119,113		Cash and cash equivalents		64,922	64,922
1	1		Equity Investments – Integrated Bradford Local Education Partnership (LEP) Ltd		1	1
7,236	7,236	2	Debtors – loans and receivables	2	16,165	16,165
			Regional Investment Fund		3,474	3,581
45,492	45,492		Non financial assets		80,039	80,039
260,456	**260,456**		**Total Assets**		**164,601**	**164,708**

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.

2021-22 £000	Recognised gains and losses	2022-23 £000
	Financial assets: measured at amortised cost	
(601)	Interest income	(2,182)
(601)	**Total income in surplus or deficit on the provision of services**	**(2,182)**
	Financial Liabilities measured at amortised cost	
16,327	Interest payable	17,343
16,551	Interest Payable on PFI and Finance leases	16,510
32,878	**Total expense in surplus or deficit on the provision of services**	**33,853**

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. 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 reviewed by Governance & Audit Committee on 22 November 2022 and approved by Council on 25 January 2023 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, S&P or Fitch rating of AA: 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 AA-if not available), 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 A+ if not available), Fitch short term of at least 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 better: Maximum Investment with any one counter party – £7million.
7. National Westminster Bank – £20m.

The full Investment Strategy for 2022-23 was approved by Governance & Audit Committee on 24 March 2022 Full Council on 25 January 2023 and is available on the Council's website.

Amounts arising from expected credit losses

The Council's debtors incorporate a credit loss provision. The credit loss provision is estimated on the basis of the age of the outstanding debt, combined with specific knowledge indicating the likelihood of payment. The Council defines default, as when a debtor is unable to pay or looks likely to be unable to pay in the future. Credit losses have been estimated on a case by case basis. However, in the initial review, debtors are assessed by age. Credit-impaired financial assets are reviewed against a prospective credit loss model.

At the year end the Council held investments of £48.344m, made up of 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 2023 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.

We have assessed the Council's short term and long term investments and concluded that the expected credit loss is not material therefore no allowance has been made, see table below.

	31 March 2023 Principal £000	Lowest Credit rating	Historical experience of default	Estimated maximum exposure to default £000
HSBC LF	15,000	AAAm	0.000%	-
Black Rock MMF	16,500	AAAm	0.000%	-
LGIM MMF	16,800	AAAm	0.000%	-
Investments Principals	**48,300**	**-**	**-**	**8.697**

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.

The Council holds a number of long-term debtors totalling £15.892m as at 31 March 2023. When undertaking any long-term loans, the Council follows a full due diligence process. Having assessed the Council's exposure to credit risk on the long-term debtors as at 31 March 2023, there was no evidence that the entities were unable to meet their commitments on their existing loan structures.

The Council does not generally allow credit for customers and trade debts are actively pursued but some of the current balance is past its due date. Customers for goods and services are assessed, dependent on materiality, taking into account their financial position, past experience and other factors as appropriate. An impairment charge has been included in the accounts, to take account of the risk of non-payment (see Note 17). The exposure to default has been assessed and is reflected in an impairment charge of £9.895m. As at 31 March 2023, the Council had a balance owing from its customers (mainly service and rent) of £80.039m (£45.492m 31 March 2022).

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.

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 unfavorable 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 2022 £000	Total Borrowing	31 March 2023 £000
	Source of loan and interest rate range:	
292,336	Public Works Loan Board (3.7% to 10%)	366,823
37,775	Commercial Banks (3.2% to 4.5%)	37,756
42,594	Other	62,110
372,705	**Total**	**466,689**
	Analysis of loans:	
53,211	Maturing in less than 1year	58,540
53,211	**Total Short Term Borrowing**	**58,540**
	Long Term Borrowing	
43,732	Maturing in 2 - 5 years	73,804
54,697	Maturing in 5 - 10 years	56,289
44,991	Maturing in 10 - 15 years	42,000
176,074	Maturing in more than 15 years	236,056
319,494	**Total Long Term Borrowing**	**408,149**
372,705	**Total Borrowing**	**466,689**

The above analysis assumes that Lender Option, Borrower Option loans (LOBOs) run their full term.

The total borrowing shown on the Balance Sheet, of £470.791m, calculated by adding together short term (£62.642m) and long term borrowing (£408.149m), includes accrued interest of £4.102m, per accounting regulations. Accrued interest is not included in the above table.

All trade and other payables are due to be paid in less than one year and are not shown in the table above. Further details for short term creditors can be found in Note 17.

c. 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 raising interest rates, borrowing is minimised where possible. During periods of falling interest rates, and where economic circumstances make it favorable, 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 2023 with all other variables held constant, the financial effect would be:

31 March 2022 £000	Effect of 1% increase in interest rates	31 March 2023 £000
-	Increase in interest payable on variable rate borrowings	-
(1,250)	Increase in interest receivable on variable rate investments	(773)
-	Increase in government grant receivable for financing costs	-
(1,250)	**Impact on Surplus or Deficit on the Provision of Services**	**(773)**

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 does not have any financial assets or liabilities denominated in foreign currencies, and therefore had no exposure to loss arising from movements in exchange rates.

Note 44. Trust Funds and Custodial Money

The Director of Finance acts as treasurer to 21 funds (inclusive of 19 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.

£24,573 (£20,524 at 31 March 2022) 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 at 31st March 2022	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2022-23	Income 2022-23	Balance at 31st March 2023
£000		£000	£000	£000
685	The Charles Semon Educational Foundation	-	30	715
947	Bradford area	(9)	33	971
561	Keighley area	(1)	33	593
4	Housing charities	-	-	4
360	Charities for the Blind	(12)	20	368
2,557	**Total Trust Funds and Custodial Money Balances**	**(22)**	**116**	**2,651**

For those Trust Funds where the Council acts as sole trustee and which at 31 March 2023 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 2022-23	Balance at 31st March 2023
		£000	£000
The Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	30	715
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	32	579
Royd House Trust Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	3	166
The Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	6	234
Little Moor Park (otherwise Foster Park) Queensbury (519426)	Maintenance of Public Park & Recreation Ground for the benefit and use of Queensbury and the general public	3	72
Bingley Educational Trust	Sale of Land - Money used for Grant Giving	5	230
Wibsey Park Lodge	Sale of Land - Money used for Grant Giving	3	122

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.

2021-22 £000 Council Tax	2021-22 £000 Business Rates	2021-22 £000 Total	Collection Fund Statement	2022-23 £000 Council Tax	2022-23 £000 Business Rates	2022-23 £000 Total	Note
			Income				
(261,603)	-	(261,603)	Due from Council Tax payers	(269,624)	-	(269,624)	Note 1
-	(108,658)	(108,658)	Due from Business Rate payers	-	(113,845)	(113,845)	Note 2
(261,603)	**(108,658)**	**(370,261)**	**Total Income**	**(269,624)**	**(113,845)**	**(383,469)**	
			Expenditure				
			Precepts:				
215,518	-	215,518	Bradford Council	224,310	-	224,310	
9,540	-	9,540	West Yorkshire Fire and Rescue Authority	10,352	-	10,352	
30,001	-	30,001	West Yorkshire Combined Authority	31,736	-	31,736	
			Business Rates:				
-	66,622	66,622	Payment to Central Government	-	58,308	58,308	
-	1,332	1,332	Payment to West Yorkshire Fire and Rescue Authority	-	1,166	1,166	
-	65,289	65,289	Payment to Bradford Council	-	57,142	57,142	
-	717	717	Costs of Collection	-	717	717	
-	152	152	Disregarded Amounts - Designated Growth Area	-	168	168	
-	645	645	Transitional Protection Payments	-	636	636	
-	-	-	Write-offs of Uncollectable Amounts	-	593	593	
-	(7,195)	(7,195)	Settlement of Appeals	-	(4,275)	(4,275)	
5,424	1,382	6,806	Contribution to / from (-) Provision for Losses on Bad & Doubtful Debts	4,461	140	4,601	Note 3
-	6,102	6,102	Contribution to / from (-) Provision for Losses on Appeals	-	(4,064)	(4,064)	Note 4
			Distribution of Collection Fund Surplus/Repayment of Deficit:				
(3,266)	(23,663)	(26,929)	Bradford Council	(1,830)	(16,174)	(18,004)	
(151)	(488)	(639)	West Yorkshire Fire and Rescue Authority	(84)	(330)	(414)	
(449)	-	(449)	Police & Crime Commissioner for West Yorkshire	(247)	-	(247)	
-	(24,544)	(24,544)	Central Government	-	(16,504)	(16,504)	
256,617	**86,351**	**342,968**	**Total Expenditure**	**268,697**	**77,524**	**346,221**	
(4,986)	**(22,307)**	**(27,293)**	**Net movement (surplus (-)/deficit) in the fund balance**	**(927)**	**(36,322)**	**(37,248)**	Note 5
			Movements on the Collection Fund Balance				
7,265	**59,064**	**66,329**	**Balance at beginning of year**	**2,279**	**36,758**	**39,038**	
(4,197)	(10,930)	(15,127)	Bradford's share of surplus (-) /deficit for the year	(2,519)	(17,783)	(20,301)	Note 5
(789)	(223)	(1,012)	Preceptors' share of surplus (-) /deficit for the year	(468)	(363)	(832)	Note 5
-	(11,153)	(11,153)	Central Government's share of surplus (-) /deficit for the year		(18,146)	(18,146)	Note 5
2,279	**36,758**	**39,038**	**Balance at end of year**	**(708)**	**467**	**(241)**	
			Allocated to:				
1,941	18,012	19,952	Bradford Council	(578)	229	(349)	
88	368	455	West Yorkshire Fire and Rescue Authority	(30)	4	(26)	
251	-	251	Police & Crime Commissioner for West Yorkshire	(100)	-	(100)	
-	18,379	18,379	Central Government	-	233	233	
2,279	**36,758**	**39,038**	**Total Allocation**	**(708)**	**467**	**(241)**	

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 £1,543.93in 2022-23 (£1,499.11 in 2021-22) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

The Council Tax base for 2022-23 was 143,420 (142,000 in 2021-22). The tax base for 2022-23 was approved at the Executive meeting on 4th January 2022 and was calculated as follows:

2021-22 Band D Equivalent		Band	2022-23 Number of chargeable dwellings	Multiplier	2022-23 Band D Equivalent
47		A*	91	5/9	62
40,632		A	53,463	6/9	40,824
28,915		B	32,689	7/9	28,981
30,528		C	32,902	8/9	30,713
16,485		D	17,217	9/9	17,264
14,571		E	14,940	11/9	14,580
8,147		F	8,282	13/9	8,113
5,825		G	5,895	15/9	5,745
492		H	514	18/9	514
145,642	Total Band D equivalent				146,796
-3,642	Adjustment for estimated losses on collection				-3,376
142,000	**Council Tax Base**				**143,420**

Note 2. Business Rates (National Non-Domestic Rates)

The Council collects business rates on behalf of central government for its area. The tax rate (called the Multiplier) for commercial property is set by Central Government. There are two multipliers: the small business non-domestic rating multiplier of 49.9p (49.9p in 2021-22) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 51.2p (51.2p in 2021-22) includes the supplement to pay for small business relief. For 2022-23, the Government has kept the multiplier unchanged.

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 2022-23 were estimated before the start of the financial year as £1.166m to WYFRA and £57.141m to Bradford Council. These sums have been paid in 2022-23 and charged to the Collection Fund in year.

The total income from business rate payers collected in 2022-23 was £113.845m (£108.658m in 2021-22). This sum includes £0.636mm (£0.645m in 2021-22) 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 £381m for 2022-23 (£384m for 2021-22). The gross rateable value was £3.5m lower than previous year. The reduction was mainly due to the impact of successful appeals and assessments that will come out of the rating list.

Note 3. Impairment of Council Tax and Business Debts

In 2022-23, the allowance for Council Tax debts impairment increased from £15.761m to £17.684m. The net movement of £1.923m represents amounts charged against the allowance of £2.538m for outstanding arrears that are irrecoverable and an increase in the allowance during the year of £4.461m. Of the final balance, 84% is to cover Council Tax owed to the Council. The remaining 16% is to cover amounts owed to major preceptors.

In 2022-23, the allowance for Business Rates debts impairment decreased from £7.838m to £6.602m. The net movement of £1.376m represents amounts charged against the allowance of £1.236m for outstanding arrears that are irrecoverable and an increase in the allowance during the year of £0.139m. Of the final balance, 49% is to cover Business Rates owed to the Council. The remaining 51% is to cover amounts owed to West Yorkshire Fire and Rescue Authority (1%) and amounts owed to Central Government (50%).

Note 4. Provision for Losses on Appeals

Within the 2022-23 Business Rate Pool, 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 2022-23, the full provision for losses on outstanding appeals was decreased by £8.338m, from £15.460m at 31 March 2022 to £7.122m at 31 March 2023. The Council's 49% share of the £7.122m provision was £3.489m.

Note 5. Collection Fund Balance

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 surplus of £0.241m arose in 2022-23 (£39.038m deficit in 2021-22), of which the Council's share was a surplus of £0.349m (£19.952m deficit in 2021-22) and the preceptors share a deficit of £0.108m (£19.085m deficit in 2021-22). This is due to the overall surplus position on Council tax whereas a deficit position for Business rate.

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.

Independent auditor's report to the members of City of Bradford Metropolitan Council

Report on the audit of the financial statements

Opinion on the financial statements of West Yorkshire Pension Fund

We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2023; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance and IT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

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

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

financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of the Director of Finance and IT for the financial statements
As explained more fully in the Statement of the Director of Finance and IT's Responsibilities, the Director of Finance and IT is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2021/22, and for being satisfied that they give a true and fair view. The Director of Finance and IT is also responsible for such internal control as the Director of Finance and IT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance and IT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance and IT is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Director of Finance and IT's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Governance and Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Governance and Audit Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Governance and Audit Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director of Finance and IT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body and as administering authority for the West Yorkshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[*Signature*]

Key Audit Partner
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

[Insert date]

West Yorkshire Pension Fund

West Yorkshire Pension Fund

2021-22 £000	Fund Account for the year ended 31 March 2023	2022-23 £000	Note
	Dealings with members, employers and others directly involved in the Fund		
475,463	Contributions receivable	527,987	*6*
32,012	Transfers in	36,686	*7*
20,171	Non-statutory pensions and pensions increases recharged	19,820	*8*
527,646		**584,493**	
(591,305)	Benefits payable	(606,566)	*9*
(20,171)	Non-statutory pensions and pensions increases	(19,820)	*8*
(19,993)	Payments to and on account of leavers	(29,654)	*10*
(631,469)		**(656,040)**	
(103,823)	**Net additions/(withdrawals) from dealing with members**	**(71,547)**	
(10,455)	Management expenses	(13,606)	*13*
(114,278)	**Net additions/(withdrawals) including management expenses**	**(85,153)**	
	Returns on investments		
425,221	Investment income	498,917	*15*
(9,143)	Taxes on income	(6,363)	*15a*
1,348,594	Profit and (losses) on disposal of and changes in value of investments	(415,959)	*17*
1,871	Stock lending	2,212	*17c*
1,766,543	**Net return on investments**	**78,807**	
1,652,264	**Net Increase (decrease) in the net assets available for benefits during the year**	**(6,348)**	
16,327,202	**Opening net assets of the scheme**	**17,979,466**	
17,979,466	**Closing net assets of the scheme**	**17,973,118**	

2021-22 £000	Net Assets Statement at 31 March 2023	2022-23 £000	*Note*
	Investment assets		
1,402,820	Bonds	1,441,185	*17*
10,867,442	Equities (including convertible shares)	10,814,133	*17*
755,940	Index-linked securities	674,588	*17*
4,251,295	Pooled investment vehicles	4,266,556	*17*
7,350	Direct Property	6,125	*17*
556,926	Cash deposits	614,400	*17*
6,230	Cash at bank	37,117	*17*
61,580	Other investment balances	80,283	*17*
	Investments liabilities		
(43)	Other investment balances	(18,496)	*17*
17,909,540	**Investments at 31 March**	**17,915,891**	
	Current assets		
95,663	Debtors	94,683	*20*
	Current liabilities		
(25,737)	Creditors	(37,456)	*21*
69,926	**Net current assets and liabilities**	**57,227**	
17,979,466	**Net assets of the scheme available to fund pension benefits**	**17,973,118**	

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2023. 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 https://www.wypf.org.uk/publications/report-accounts/wypf-report-and-accounts/

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 within the Northern LGPS on a day to day basis in-house supported by the Fund's external advisers.

Legal Status – WYPF is a statutory scheme and the benefits are paid out under the provisions of the Local Government Pension Scheme Regulations (2013). It has been classified as a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

The scheme is governed by the Public Service Pensions Act 2013.

The Fund is administered in accordance with the following secondary legislation:

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

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 three elected members from each of the five West Yorkshire Metropolitan District Councils, three trade union representatives, three 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 443 participating employers during the year, 49 left in the year, leaving 394 active at 31st March 2023 (In 2021/22 there were 463 participating employers during the year, 30 left in the year leaving 433 active employers as at 31st March 2022), whose employees were entitled to be contributors to the Fund.

Membership – Total membership as at 31st March 2023 is 319,484 (31st March 2022 is 307,797).

At 31 March 2022	Profile of membership	At 31 March 2023
104,891	Active members	110,704
104,710	Pensioner members	108,631
98,196	Members with preserved pensions	100,149
307,797	**Total members**	**319,484**

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

West Yorkshire Pension Fund
Statement of the Actuary for the year ended 31 March 2023

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS 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 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £17,979.5M) covering 108.5% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	16.4%	2.546
2024	16.3%	1.833
2025	16.2%	1.747

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' (or Group's) circumstances.

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service	
Secure scheduled and subsumption body funding target *	4.50% p.a.
Intermediate funding targets	
▪ Low risk	4.25% p.a.
▪ Medium risk	4.05% p.a.
▪ Higher risk	3.95% p.a.
Ongoing orphan funding target	3.95% p.a.
Orphan exit funding target	N/A
Discount rate for periods after leaving service	
Secure scheduled and subsumption body funding target *	4.50% p.a.
Intermediate funding targets	
▪ Low risk	4.25% p.a.
▪ Medium risk	4.05% p.a.
▪ Higher risk	3.95% p.a.
Ongoing orphan funding target	1.60% p.a.
Orphan exit funding target	1.60% p.a.
Rate of pay increases	3.55% p.a.
Rate of increase to pension accounts	2.30% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.30% p.a.

** The secure scheduled and subsumption body discount rate was also used for employers whose liabilities will be subsumed after exit by a secure scheduled body.*

In addition, a 10% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 Heavy mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.5
Current active members aged 45 at the valuation date	22.8	25.6

Further details of the assumptions adopted for the valuation, including the other demographic assumptions, are set out in the actuarial valuation report.

6. The valuation results summarised in paragraphs 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations and in line with the Fund's policy, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the Actuary to the Fund, Aon, 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 2022. 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 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 2022 is available on the Fund's website at the following address:

https://www.wypf.org.uk/media/3466/west-yorkshire-pension-fund-2022-actuarial-valuation-report-v2.pdf

Aon Solutions UK Limited

April 2023

Note 3. Accounting policies

Basis of preparation
The statement of accounts summarises the Fund's financial activities for the 2022/23 financial year and its financial position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 12.

Contributions
Normal contributions from employers are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. Normal contributions from members are accounted for on an accruals basis at a percentage rate outlined in the Local Government Pension Scheme Regulations

Employer deficit funding contributions are accounted for on the due dates on which they are payable.

Where employers have to pay 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 current asset debtors.

Transfers in and out of the Fund
Transfer values represent amounts received and paid during the period. Bulk (group) transfers are accounted for on an accruals basis, these are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

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
All management expenses are accounted for on an accruals basis. The Code does not require any breakdown of pension fund management expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's preparing the annual report - Guidance for Local Government Pension Scheme (2019).

Administrative expenses
All WYPF staff are charged directly 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 unit price per transaction, therefore increase or reduce as the value of the investments and volume of transactions change. The fees of the external advisors increase by RPI on an annual basis.

The cost of the fund's in-house investment fund management team is 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 every three years per LGPS regulations and updated annually in the intervening years by the appointed 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 bank 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.

Financial liabilities
The fund recognises financial liabilities at amortised cost. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability.

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 a reduction 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 when positive (profits) and as expenditure when negative (losses). This comprises of 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 an expense as it arises.

Financial assets
All our financial assets are equities, bonds, properties and cash deposits. Equities, bonds and properties are are included in the net assets statement based on fair value through profit and loss (FVTPL) in the Net Assets Statement. All cash, cash deposits, investments debtors and creditors are held to be collected therefore are valued at amortised costs in the Net Assets Statement. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From the date of recognition, any gains or losses arising from changes in the fair value or amortised costs of assets held are recognised in the Net Assets Statement. The values of investments as shown in the Net Assets Statement have been determined at fair value or amortised costs in accordance with the requirements of the Code and IFRS9 (see note 18). For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG / Investment Association, 2016).

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 Utmost as its AVC providers. AVCs 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 from AVC providers showing the amount held in their AVC account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 11).

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) Proceeds of sales of foreign assets are translated into sterling at the exchange rate on the day of sale and recorded in our investment book of records in sterling and in local currency.

b) Purchase of foreign investments are translated into sterling using the exchange rate at the time of purchase and recorded in our investment book of record at book cost in sterling and local currency.

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

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

e) When currency is sold or purchased the actual trade rate is used and commissions are charged to management expense.

Acquisition costs of investments
Brokerage commissions, fees, stamp duties and foreign exchange fees paid as part of acquisition costs of investments are charged as revenue cost and included in investment management costs.

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.

Contingent liabilities and contractual commitments
A contingent liability arises when an event has taken place that gives the Fund a possible obligation, the existence of which 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 24 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, typically over a period of between four and six years from the date of each original commitment.

Investment transactions
Investment transactions occurring up to 31 March 2023 but not settled until later are accrued in the accounts.

Note 4. Critical judgments and estimations in applying accounting policies

In applying the accounting policies set out in Note 3 above, WYPF has had to make certain critical judgements and estimations about complex transactions or those involving uncertainty about future events.

a) Critical judgements in applying accounting policies.

It has been necessary to make immaterial critical judgements due to the Russian war on Ukraine and as a result the market value of assets with Russian exposure are valued at nil.

b) Assumptions made about the future and other major sources of estimation uncertainty.

Actuarial present value of promised retirement benefits uncertainties.
Under IFRS the Fund is required to disclose the actuarial present value of promised retirement

benefits. This is disclosed as in Note 12 and does not comprise part of the Net Assets Statement. Significant estimates are used in formulating this information, all of which are disclosed in Note 12. 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 and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Aon, the Fund's consulting actuaries are engaged to provide expert advice about the assumptions to be applied.

The Pension Fund liability is calculated triennially by the appointed actuary with annual updates in the intervening years. The methodology used in the intervening years follows generally agreed guidelines and is in accordance with IAS 19. These assumptions are summarised in Note 12. The estimates are sensitive to changes in the underlying assumptions underpinning the valuations.

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. However, an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability.

Fair value of Investments

In accordance with the Code and IFRS13, the Fund categorises financial investments carried on the Net Assets Statement at fair value using a three-level hierarchy as disclosed in Note 18. Financial investments categorised as level 1 and level 2 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial investments categorised as level 3 is determined using the latest investor reports and financial statements provided by the general partners, adjusted for cash flow after the date of the general partners' report. These require management judgement and contain significant estimation uncertainty. Reliance is placed on general partners' to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided. The total value of level 3 investment is £3,383m at 31 March 2023. This consists of the Fund's unlisted private equity, pooled investments, property funds and direct property. In line with the market risk within Note 18, there is a risk that the value of the Fund may reduce or increase during the 2022/23 reporting period by £296m which represents the potential market movement on value of investment at level 3. The potential market movement is shown in Note 18 of the accounts.

Note 5. Events after the Balance sheet date

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. There has been no adjusting events since 31 March 2023.

b) Those that are indicative of conditions that arose after the reporting period, non-adjusting events after the reporting period. There has been no non adjusting events since 31 March 2023.

Note 6. Contributions receivable by category:

Contributions from employers and employees:

2021-22 £000	Analysis of contributions receivable	2022-23 £000
340,809	Employers	381,697
134,654	Members	146,290
475,463	**Total contributions receivable**	**527,987**

Contributions by type of employer:

2021-22 £000	Analysis by type of employer	2022-23 £000
56,589	Administering Authority	63,702
382,105	Scheduled bodies	426,338
36,769	Admitted bodies	37,947
475,463	**Total contributions receivable**	**527,987**

Contributions are further analysed by type of contribution:

2021-22 £000	Contributions receivable by type	2022-23 £000
127,362	Employees normal contributions	139,825
7,292	Employees additional contributions	6,464
338,521	Employers normal contributions	379,905
2,288	Employers deficit contributions	1,793
475,463	**Total contributions receivable**	**527,987**

Employers' contribution rates and deficit contributions

Employer contributions receivable in 2022-23 were based on 31 March 2019 triennial valuation. At each triennial valuation (latest 31 March 2022) the Actuary calculates 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. The rates for 2022/23 and 2021/22 based on pay in the financial year are provided below.

2022/23 Pay	2021/22 Pay	Contribution rate
Up to £15,000	Up to	5.5%
£15,001 to £23,600	£14,601 to £22,900	5.8%
£23,601 to	£22,901 to	6.5%
£38,301 to	£37,201 to	6.8%
£48,501 to	£47,101 to	8.5%
£67,901 to	£65,901 to	9.9%
£96,201 to	£93,401 to	10.5%
£113,401 to	£110,001	11.4%
£170,101 or	£165,001	12.5%

Note 7. Transfers in

2021-22 £000	Transfers in from other pension funds	2022-23 £000
32,012	Individual transfers in from other schemes	36,686
32,012	**Total transfers in**	**36,686**

Note 8. Non-statutory pensions and pensions increase recharged

2021-22 £000	Non-statutory pensions and pensions increase recharged	2022-23 £000
20,171	Pensions	19,820
20,171	**Total Pensions**	**19,820**

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.

Note 9. Benefits payable

2021-22 £000	Analysis of benefits payable	2022-23 £000
	Funded pensions	
(426,763)	Retired employees	(451,922)
(33,499)	Dependants	(35,227)
	Funded lump sums	
(117,537)	On retirement	(102,880)
(13,506)	On death	(16,537)
(591,305)	**Total Benefits Payable**	**(606,566)**

The total benefits payable are further analysed by type of member body.

2021-22 £000	Analysis of benefits payable by member body	2022-23 £000
(84,132)	Administering Authority	(91,467)
(446,975)	Scheduled bodies	(455,218)
(60,198)	Admitted bodies	(59,881)
(591,305)	**Total benefits payable**	**(606,566)**

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

Note 10. Payments to and on account of leavers

2021-22 £000	Analysis of benefits payable by member body	2022-23 £000
(1,488)	Refund of contributions	(1,840)
(18,505)	Individual transfers out to other schemes	(27,814)
(19,993)	**Total transfers out**	**(29,654)**

Note 11. AVC scheme with Utmost, Scottish Widows and Prudential

The Fund provides an Additional Voluntary Contributions (AVC) Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Utmost, 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:

2021-22 £000	Additional voluntary contributions	2022-23 £000
40,616	Value of funds at 1st April	32,873
8,813	Contributions received	9,910
30	Transfers and withdrawals	461
(6,995)	Interest and bonuses / change in market value of assets	(826)
(7,930)	Sale of investments to settle benefits due to members	(5,567)
34,534	**Value of fund at 31st March**	**36,816**

The aggregate amounts of AVC investments are:

2021-22 £000	AVC investments	2022-23 £000
1,980	Utmost	1,657
30,896	Prudential	35,160
1,658	Scottish Widows	0
34,534	**Total**	**36,817**

Scottish Widows have so far been unable to provide details of contributions made by scheme members or the total value of the fund's invested by Scottish Widows on behalf of members of the West Yorkshire Pension Fund at 31 March 2023.

Additional voluntary contributions are not included in the Fund Account in accordance with regulation 4(2)(c) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

Note 12. Actuarial present value of promised retirement benefits

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 2014, are based on members' final pensionable pay. On the 1 April 2014 the scheme changed from a final salary scheme to a CARE (career average revalued earnings) scheme and pension benefits are based on a member's pay in each scheme year. 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.

Introduction

IAS 26 requires the 'actuarial present value of the promised retirement benefits' to be disclosed, which is the IAS 26 terminology for what IAS 19 refers to as the 'defined benefit obligation'. The information set out below relates to the actuarial present value of the promised retirement benefits in WYPF which is part of the Local Government Pension Scheme. The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits covered by these figures are set out in 'The Local Government Pension Scheme Regulations 2013' (as amended) and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014' (as amended).

Actuarial present value of promised retirement benefits (defined benefit obligation)

Paragraph 6.5.2.8 of CIPFA's Code of Practice on local authority accounting for 2022/23 sets out that for consistency with employers' IAS 19 actuarial report, that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed in the Pension Fund Account.

The results as at 31 March 2022, together with the results as at 31 March 2019 are shown in the table below. The corresponding 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 IAS 19 assumptions.

	Value as at 31 March 2022 £M	Value as at 31 March 2019 £M
Value of net assets	17,979.5	14,363.0
Actuarial present value of the defined benefit obligation (see Notes)	(24,016.4)	(19,365.8)
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	**(6,036.9)**	**(5,002.8)**

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2022. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2022 (% p.a.)	31 March 2019 (% p.a.)
Discount rate	2.70	2.40
CPI Inflation (pension increases) (1) (2)	3.00	2.20
Rate of general increase in salaries (3)	4.25	3.45

(1) Pension increases in excess of Guaranteed Minimum Pension in payment where appropriate

(2) The assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases. In the 2022 assumption we have also made allowance for higher actual CPI for the period 30 September 2021 to 31 March 2022, where 30 September 2021 is the date of the reference CPI index that the Scheme’s benefits had been increase by in April 2022.

(3) A promotional salary scale is assumed to apply in addition to this, at the rates assumed in the relevant valuation of the Fund.

Principal demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below:

	31 March 2022	31 March 2019
Males		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2022)	21.5	22.3
Future lifetime from age 65 (actives aged 45 at 31 March 2022)	22.8	23.0
Females		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2022)	24.5	25.1
Future lifetime from age 65 (actives aged 45 at 31 March 2022)	25.6	26.2

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2022 valuation. Assumptions for the rates of the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2022 valuation of the Fund, which are detailed in the actuary's valuation report.

Key risks associated with reporting under IAS 26 and sensitivity

Volatility of results

Results under IAS 26 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the Fund are invested in equities and other growth assets. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension fund.

For example:

- A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).

- The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.

- The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Post balance sheet date experience

Since 31 March 2022 the Fund’s assets have generally delivered lower than expected returns. However, corporate bond yields have increased significantly which will have led to a reduction in the value of the defined benefit obligation (liabilities) on an accounting basis. We would expect the Fund’s IAS 26 balance sheet position to have improved significantly over the year with a lower IAS 26 deficit at 31 March 2023 if the Fund had chosen to update the position annually.

Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash-flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus / deficit.

Furthermore, as required by the accounting standard, the assumptions (with the exception of the discount rate) have been set so that they represent a best estimate of future experience for the Fund. In practice future experience within the Fund may not be in line with the assumptions adopted. This means that the liabilities shown in this report only represent one view of the future and the true position could be different from those shown. For example, members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculations.

Sensitivity of results to key assumptions

In order to understand the magnitude of the possible volatility in the account position and to understand which assumptions are most important in determining the size of the liabilities, it is helpful to understand how sensitive the results are to the key assumptions.

IAS 19 requires entities to disclose information about the sensitivity of the defined benefit obligation to changes in key assumptions although it is not clear that IAS 26 or the CIPFA Code of Practice requires this information. Nevertheless, we have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase by one year. In each case, only the assumption mentioned is altered. All other assumptions remain the same.

Sensitivity Analysis

Discount rate assumption		
Adjustment to discount rate assumption	**+0.1% £M**	**(0.1%) £M**
£ change to present value of the defined benefit obligation	(474.4)	480.8
% change in present value of defined benefit obligation	(2.0%)	2.0%

Rate of general increase in salaries		
Adjustment to salary increase rate assumption	**+0.1% £M**	**(0.1%) £M**
£ change to present value of the defined benefit obligation	45.9	(45.4)
% change in present value of defined benefit obligation	0.2%	(0.2%)

Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts		
Adjustment to pension increase rate assumption	**+0.1% £M**	**(0.1%) £M**
£ change to present value of the defined benefit obligation	434.9	(425.9)
% change in present value of defined benefit obligation	1.8%	(1.8%)

Post retirement mortality assumption		
Adjustment to members' life expectancy	**-1 year £M**	**1 year £M**
£ change to present value of the defined benefit obligation	(998.8)	1,000.6
% change in present value of defined benefit obligation	(4.2%)	4.2%

Note 13. Management expenses

2021-22 £000		**2022-23 £000**
(4,225)	Administration costs	(5,275)
(5,531)	Investment Management expenses	(7,322)
(699)	Oversight and Governance	(1,009)
(10,455)	**Total administrative expenses**	**(13,606)**

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Management Expenses above includes a statutory audit fee of £37.4k (2021/22 £37.4k) which is included in Oversight and Governance. The statutory audit fee does not include fees chargeable to the fund for work undertaken at the request of employer auditors. Fees payable for this work total £20k (2021/22 £18k) and are recharged to the relevant employers. No other fees have been paid to the external auditor.

The costs associated with the setting up and running Northern LGPS that relate specifically to WYPF are included within the administration costs above. The total actual costs for the 2022/23 reporting period were £100.8k (2020/21 £75.6k & 2021/22 £25.2k). The brought forward estimated provision from 2021/22 was £120k and the provision for outstanding amounts for 2022/23 was £19.2k.

Note 14. Investment expenses

2022-23	Total	Management fees	Transaction costs
	£000	£000	£000
Bonds	438	435	3
Equities	4,421	3,261	1,160
Index-linked securities	203	203	0
Pooled investment vehicles	1,788	1,287	501
Direct property	2	2	0
Cash deposits	216	216	0
	7,068	5,404	1,664
Custody fees	254		
Total	7,322		

2021-22	Total	Management fees	Transaction costs
	£000	£000	£000
Bonds	350	350	0
Equities	3,514	2,715	799
Index-linked securities	189	189	0
Pooled investment vehicles	1,062	1,062	0
Direct property	2	2	0
Cash deposits	157	157	0
	5,274	4,475	799
Custody fees	257		
Total	5,531		

Investment expenses are included within management expenses (Note 13). Investment expenses are of particular interest to LGPS funds' stakeholders and as such further breakdown of this cost is provided here. Transaction costs are included to comply with CIPFA guidance. All of the assets that WYPF hold directly are managed by a team of internal investment managers and as such we do not incur any performance fees.

Note 15. Investment income

2021-22 £000		2022-23 £000
39,191	Income from bonds	47,294
311,676	Dividends from equities	358,970
3,475	Income from index-linked securities	3,954
69,706	Income from pooled funds	72,852
662	Income from direct property	566
511	Interest on cash deposits	15,281
425,221	**Total investment income**	**498,917**

Note 15a. Tax on income

2021-22 £000		2022-23 £000
(9,942)	Tax on dividends	(12,122)
799	Investment tax reclaim	5,759
(9,143)	**Total**	**(6,363)**

Note 16. Direct Property Holdings

At 31 March 2022 £000		At 31 March 2023 £000
7,300	**Opening balance**	7,350
	Additions:	
50	Net Increase/ decrease in market value	(1,225)
7,350	**Closing value**	**6,125**

Note 17. Investments

Note 17a.Movement in the value of investments in 2022-23

	Opening value at 1 April 2022 £000	Purchases costs £000	Sales proceeds £000	Change in Market value £000	Closing value at 31 March 2023 £000
Financial Assets					
Bonds	1,402,820	129,755	(302,277)	210,887	1,441,185
Equities	10,867,442	393,908	(20,755)	(426,462)	10,814,133
Index linked securities	755,940	29,162	(69,689)	(40,825)	674,588
Pooled funds	4,251,295	264,220	(87,491)	(161,468)	4,266,556
Direct property	7,350	0	0	(1,225)	6,125
	17,284,847	**817,045**	**(480,212)**	**(419,093)**	**17,202,587**
Cash Debtors Creditors		**Increase**	**Decrease**	**Currency movement**	
Cash deposits	556,926	54,340	0	3,134	614,400
Cash at bank	6,230	30,887	0	0	37,117
Other investment debtors	61,580	0	18,703	0	80,283
Other investment creditors	(43)	(18,453)	0	0	(18,496)
	624,693	**66,774**	**18,703**	**3,134**	**713,304**
Total investments	**17,909,540**	**883,819**	**(461,509)**	**(415,959)**	**17,915,891**

Other investment debtors and Other investment creditors have been included in order to balance back to the total net assets.

Movement in the value of investments in 2021-22

	Opening value at 1 April 2021	Purchases costs	Sales proceeds	Change in Market value	Closing value at 31 March 2022
	£000	£000	£000	£000	£000
Financial Assets					
Bonds	1,315,811	321,298	(155,978)	(78,311)	1,402,820
Equities	9,998,808	325,313	(290,052)	833,373	10,867,442
Index linked securities	735,119	7,643	(30,909)	44,087	755,940
Pooled funds	3,702,738	459,521	(458,812)	547,848	4,251,295
Direct property	7,300	0	0	50	7,350
	15,759,776	**1,113,775**	**(935,751)**	**1,347,047**	**17,284,847**
Cash Debtors Creditors		**Increase**	**Decrease**	**Currency movement**	
Cash deposits	422,003	134,923	0	0	556,926
Cash at bank	41,592	0	(35,362)	0	6,230
Other investment debtors	58,153	3,427	0	0	61,580
Other investment creditors	(13,990)	13,947	0	0	(43)
	507,758	**152,297**	**(35,362)**	**0**	**624,693**
Total investments	**16,267,534**	**1,266,072**	**(971,113)**	**1,347,047**	**17,909,540**

Other investment debtors and Other investment creditors have been included in order to balance back to the total net assets.

The change in market value of investments during the year includes 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. A further analysis of the asset split between overseas and UK can be found in Note 23.

b. Analysis of Investments by security type

At 31 March 2022 £000	Analysis of investments closing market values	At 31 March 2023 £000
	Bonds:	
731,966	Public sector quoted	721,918
670,854	Other quoted	719,267
1,402,820		1,441,185
10,867,442	Equities	10,814,133
755,940	Index linked securities	674,588
	Pooled funds:	
124,360	Hedge funds	144,142
717,807	Property	593,475
1,125,960	Equity	983,903
1,250,522	Private equity	1,318,376
1,032,646	Private equity infrastructure	1,226,660
4,251,295		4,266,556
7,350	Direct Property	6,125
556,926	Cash deposits	614,400
6,230	Cash in bank	37,117
61,580	Other Investment assets	80,283
(43)	Other Investment liabilities	(18,496)
17,909,540	Total	17,915,891

c. Stock Lending

2021-22 £000	Analysis of stock lending	2022-23 £000
	Income	
185	- Bonds	368
235	- UK equities	327
1,533	- International equities	1,611
(82)	Expenditure	(94)
1,871	**Total**	**2,212**

As at 31 March 2023, the value of stock on loan was £832 million, equivalent to approximately 4.64% of the total value of the Fund's investment portfolio. The stock on loan was covered by collateral valued at £887 million (which includes a 6.25% margin on value).

As at 31 March 2022, the value of stock on loan was £851 million. Equivalent to 4.75% of total asset. The stock on loan was covered by collateral valued at £916 million.

Note 18. Fair Value – Basis of valuation

The classification of assets within the fair value hierarchy is determined using the criteria set out in IFRS13 Fair Value Measurement. The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. Transfers between levels are deemed to have occurred when there is a significant change to the level of observable and unobservable inputs used to determine fair value.

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Quoted equities	Level 1	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.	Observable	Not required
Quoted bonds	Level 1	Listed bonds are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange. Market bid prices based on current yield	Observable	Not required
Quoted indexed linked bonds	Level 1	The bid price is multiplied by the relevant inflation factor to give an inflation adjusted bid price.	Observable	Not required
Pooled investment-overseas unit trusts and quoted property funds	Level 2	Where available and published closing bid prices are used.	Observable but not actively traded	Not required
All unquoted, delisted or suspended assets, pooled investments - hedge funds, unit trusts and property funds	Level 3	Value is based on the latest investor reports and financial statements provided by the general partners, adjusted for cash flow after the date of the report.	Unobservable	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end by CBRE independent valuers- in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Standards and the RICS Valuation – Professional Standards UK January 2014 (revised July 2017) ("The Red Book").	Unobservable	Changes in rental growth, vacancy levels or discount rates could affect valuations.

Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value at 31 March 2023 £m	Value on increase £m	Value on decrease £m
Pooled investments - hedge funds	16.0%	144.0	167.0	121.0
Property funds	13.7%	593.5	674.8	512.2
Direct property	9.9%	6.1	6.7	5.5
Private equity inc NLGPS	7.5%	2,545.0	2,735.9	2,354.1
Other assets	1.6%	114.2	116.0	112.4
		3,402.8	**3,700.4**	**3,105.2**

2021/22 sensitivity analysis figures:

	Assessed valuation range (+/-)	Value at 31 March 2022 £m	Value on increase £m	Value on decrease £m
Pooled investments - hedge funds	17.8%	124.1	146.2	102.0
Property funds	18.6%	717.8	851.3	584.3
Direct property	10.1%	7.4	8.1	6.7
Private equity inc NLGPS	34.9%	2,283.2	3,080.0	1,486.4
Other assets	0.5%	10.6	10.7	10.5
		3,143.1	**4,096.3**	**2,189.9**

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. Transfers between levels are recognised in the year in which they occur.

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 bonds (fixed interest securities), quoted index linked securities and unit trusts.

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 quoted property funds.

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 or unquoted property funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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 Assets Statement, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Valuation hierarchy as at 31st March 2023

	At 31 March 2023 Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit & loss	13,224	576	3,397	17,197
Financial assets at amortised cost	826	0	0	826
Total financial assets	**14,050**	**576**	**3,397**	**18,023**
Non financial assets at fair value through profit and loss				
Property	0	0	6	6
Financial liabilities				
Financial liabilities at amortised cost	(56)	0	0	(56)
Total financial liabilities	**(56)**	**0**	**6**	**(50)**
	13,994	**576**	**3,403**	**17,973**

Valuation hierarchy as at 31st March 2022

	At 31 March 2022 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit & loss	13,453	689	3,136	17,278
Financial assets at amortised cost	720	0	0	720
Total financial assets	**14,173**	**689**	**3,136**	**17,998**
Non financial assets at fair value through profit and loss				
Property	0	0	7	7
Financial liabilities				
Financial liabilities at amortised cost	(26)	0	0	(26)
Total financial liabilities	**(26)**	**0**	**7**	**(19)**
	14,147	**689**	**3,143**	**17,979**

Reconciliation of fair value measurements within level 3

	Market value 01-Apr-22 £000	Purchases £000	Sales £000	Change in market value £000	Market value 31-Mar-23 £000
Pooled investments - Hedge funds	124,146	0	0	19,854	144,000
Property funds	717,807	59,794	12,459	(196,585)	593,475
Direct property	7,350	0	0	(1,225)	6,125
Private equity(inc NLGPS)	2,283,167	140,137	60,738	60,994	2,545,036
Other assets	10,616	9,223	(361)	94,724	114,202
	3,143,086	**209,154**	**72,836**	**(22,239)**	**3,402,837**

	Market value 01-Apr-21 £000	Purchases £000	Sales £000	Change in market value £000	Market value 31-Mar-22 £000
Pooled investments - Hedge funds	105,328	0	0	18,818	124,146
Property funds	453,078	26,886	(34,910)	272,753	717,807
Direct property	7,300	0	0	50	7,350
Private equity(inc NLGPS)	1,770,914	426,641	(369,051)	454,663	2,283,167
Other assets	45,549	12,038	(213)	(46,758)	10,616
	2,382,170	**465,565**	**(404,174)**	**699,525**	**3,143,086**

Note 19. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net assets statement heading as at 31st March 2023. The table also includes Direct Property (non-financial instrument) for completeness.

31st March 2023	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial Assets				
Bonds	1,441,185	0	0	1,441,185
Equities	10,814,133	0	0	10,814,133
Index-linked securities	674,588	0	0	674,588
Pooled investment vehicles	4,266,556	0	0	4,266,556
Cash deposits		614,400	0	614,400
Cash at bank		37,117	0	37,117
Other investment balances	0	80,283	0	80,283
Debtors	0	94,683	0	94,683
Total financial assets	**17,196,462**	**826,483**	**0**	**18,022,945**
Financial Liabilities				
Other investment balances	0	0	(18,496)	(18,496)
Creditors	0	0	(37,456)	(37,456)
Total financial liabilities	**0**	**0**	**(55,952)**	**(55,952)**
Total	**17,196,462**	**826,483**	**(55,952)**	**17,966,993**
Non-Financial instrument assets				
Direct Property	6,125	0	0	6,125
Total	**17,202,587**	**826,483**	**(55,952)**	**17,973,118**

31st March 2022	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial Assets				
Bonds	1,402,820	0	0	1,402,820
Equities	10,867,442	0	0	10,867,442
Index-linked securities	755,940	0	0	755,940
Pooled investment vehicles	4,251,295	0	0	4,251,295
Cash deposits	0	556,926	0	556,926
Cash at bank	0	6,230	0	6,230
Other investment balances	0	61,580	0	61,580
Debtors	0	95,663	0	95,663
Total financial assets	**17,277,497**	**720,399**	**0**	**17,997,896**
Financial Liabilities				
Other investment balances	0	0	(43)	(43)
Creditors	0	0	(25,737)	(25,737)
Total financial liabilities	**0**	**0**	**(25,780)**	**(25,780)**
Total	**17,277,497**	**720,399**	**(25,780)**	**17,972,116**
Non-Financial instrument assets				
Direct Property	7,350	0	0	7,350
Total	**17,284,847**	**720,399**	**(25,780)**	**17,979,466**

All net gains or losses on financial instruments are on those instruments classified as financial assets at fair value through profit or loss.

Note 20. Current assets

At 31-Mar-2022 £000		At 31-Mar-2023 £000
	Debtors	
37,980	Contributions due from employees and employers	58,168
57,683	Other debtors	36,515
95,663	**Total current assets**	**94,683**

All debtors are trade debtors with payments due within 12 months.

Note 21. Current liabilities

At 31-Mar-2022 £000		At 31-Mar-2023 £000
	Creditors	
(11,278)	Unpaid benefits	(14,918)
(14,459)	Other current liabilities	(22,538)
(25,737)	**Total current liabilities**	**(37,456)**

Note 22. 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 2022/23, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £559k in respect of support services provided (£459k in 2021/22). The support costs include a full year support for financial systems, payroll, HR, legal, internal audit and information technology services.

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 of this report. Contributions owed by employers in respect of March 2023 payroll are included within the total debtors figures in Note 20.

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.

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 of the West Yorkshire Pension Fund, the Chief Investment Officer of the West Yorkshire Pension Fund and the Chief Executive of Bradford Council.

The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £289k (2021/22 £140k). 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.

Note 23. Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that its 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 Investment Strategy Statement, 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: https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/

And

https://www.wypf.org.uk/publications/policy-home/wypf-index/funding-strategy-statement/

The investment strategy is 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.

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 asset holdings are spread across more than 800 UK companies, and almost 1,000 overseas 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.

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. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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 2022/23 reporting period.

Asset type	2022-23 Potential market movement +/- (%pa)	2021-22 Potential market movement +/- (%pa)
UK bonds	8.40	1.3
Overseas bonds	1.00	0.3
UK index-linked	22.20	5.9
Overseas index-linked	22.20	5.9
UK equities	0.80	12.2
Overseas equities	3.60	8.1
Pooled funds UK equities	0.80	12.2
Pooled funds overseas Equities	3.60	8.1
Pooled funds UK properties	13.70	18.6
Pooled funds overseas properties	13.70	18.6
Pooled funds UK hedge fund	16.00	17.8
Pooled funds UK private equities	7.50	34.9
Pooled funds overseas private equities	7.50	34.9
Pooled funds UK private equity infrastructure	12.20	12.9
Pooled funds overseas private equity infrastructure	12.20	12.9
Direct property	9.90	10.1
Cash certificate of deposits	1.60	0.5
Cash bank	1.60	0.5
Other investment assets	1.60	0.5
Other investment liabilities	1.60	0.5

Asset type	Value as at 31-Mar-23 £000	Value as at 31-Mar-22 £000
UK bonds	918,431	911,984
Overseas bonds	522,755	490,836
UK index-linked	570,141	659,908
Overseas index-linked	104,447	96,032
UK equities	4,778,201	4,902,166
Overseas equities	6,035,931	5,965,276
Pooled funds UK equities	441,165	546,390
Pooled funds overseas Equities	542,738	579,570
Pooled funds UK properties	491,878	610,566
Pooled funds overseas properties	82,910	86,722
Pooled funds UK hedge fund	144,142	124,360
Pooled funds UK private equities	887,167	832,312
Pooled funds overseas private equities	449,896	438,729
Pooled funds UK private equity infrastructure	1,031,438	868,183
Pooled funds overseas private equity infrastructure	195,222	164,463
Direct property	6,125	7,350
Cash certificate of deposits	614,400	556,926
Cash bank	37,117	6,230
Other investment assets	80,283	61,580
Other investment liabilities	(18,496)	(43)
Total Investment Assets	**17,915,891**	**17,909,540**

This can then be applied to the period end asset mix as follows:

Asset type	Value as at 31-Mar-23 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	918,431	8.40	995,579	841,283
Overseas bonds	522,755	1.00	527,983	517,527
UK index-linked	570,141	22.20	696,712	443,570
Overseas index-linked	104,447	22.20	127,634	81,260
UK equities	4,778,201	0.80	4,816,427	4,739,975
Overseas equities	6,035,931	3.60	6,253,225	5,818,637
Pooled funds UK equities	441,165	0.80	444,694	437,636
Pooled funds overseas Equities	542,738	3.60	562,277	523,199
Pooled funds UK properties	491,878	13.70	559,265	424,491
Pooled funds overseas properties	82,910	13.70	94,269	71,551
Pooled funds UK hedge fund	144,142	16.00	167,205	121,079
Pooled funds UK private equities	887,167	7.50	953,705	820,629
Pooled funds overseas private equities	449,896	7.50	483,638	416,154
Pooled funds UK private equity infrastructure	1,031,438	12.20	1,157,273	905,603
Pooled funds overseas private equity infrastructure	195,222	12.20	219,039	171,405
Direct property	6,125	9.90	6,731	5,519
Cash certificate of deposits	614,400	1.60	624,230	604,570
Cash bank	37,117	1.60	37,711	36,523
Other investment assets	80,283	1.60	81,568	78,998
Other investment liabilities	(18,496)	1.60	(18,792)	(18,200)
Total Investment Assets	**17,915,891**		**18,790,373**	**17,041,409**

Asset type	Value as at 31-Mar-22 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	911,984	1.30	923,840	900,128
Overseas bonds	490,836	0.30	492,309	489,363
UK index-linked	659,908	5.90	698,843	620,973
Overseas index-linked	96,032	5.90	101,698	90,366
UK equities	4,902,166	12.20	5,500,230	4,304,102
Overseas equities	5,965,276	8.10	6,448,463	5,482,089
Pooled funds UK equities	546,390	12.20	613,050	479,730
Pooled funds overseas Equities	579,570	8.10	626,515	532,625
Pooled funds UK properties	610,566	18.60	724,131	497,001
Pooled funds overseas properties	86,722	18.60	102,852	70,592
Pooled funds UK hedge fund	124,360	17.80	146,496	102,224
Pooled funds UK private equities	832,312	34.90	1,122,789	541,835
Pooled funds overseas private equities	438,729	34.90	591,845	285,613
Pooled funds UK private equity infrastructure	868,183	12.90	980,179	756,187
Pooled funds overseas private equity infrastructure	164,463	12.90	185,679	143,247
Direct property	7,350	10.10	8,092	6,608
Cash certificate of deposits	556,926	0.50	559,711	554,141
Cash bank	6,230	0.50	6,261	6,199
Other investment assets	61,580	0.50	61,888	61,272
Other investment liabilities	(43)	0.50	(43)	(43)
Total Investment Assets	**17,909,540**		**19,894,828**	**15,924,252**

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 2023 and 31 March 2022 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

At 31-Mar-2022 £000	Asset type	At 31-Mar-2023 £000
1,402,820	Bonds	1,441,186
556,926	Cash deposits	614,400
6,230	Cash at bank	37,117
1,965,976	**Total**	**2,092,703**

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 210 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 +/- 210 BPS change in interest rates.

Asset type	Value at 31-Mar-2023 £000	Value on Increase +210BPS £000	Value on decrease -210BPS £000
Bonds	1,441,186	1,471,451	1,410,921
Cash deposits	614,400	627,302	601,498
Cash at bank	37,117	37,896	36,338
Total change in assets available	**2,092,703**	**2,136,649**	**2,048,757**

Asset type	Value at 31-Mar-2022 £000	Value on Increase +210BPS £000	Value on decrease -210BPS £000
Bonds	1,402,820	1,432,278	1,373,360
Cash deposits	556,926	568,621	545,231
Cash at bank	6,230	6,361	6,099
Total change in assets available	**1,965,975**	**2,007,260**	**1,924,690**

d) 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 tables summarise the Fund's currency exposure as at 31 March 2023 and 31 March 2022:

Currency exposure - asset type	Value as at 31-Mar-2023 £000	Value as at 31-Mar-2022 £000
Overseas bonds	522,755	490,836
Overseas index-linked	104,447	96,032
Overseas equities	6,035,931	5,965,276
Pooled funds overseas Equities	542,738	579,570
Pooled funds overseas properties	82,910	86,722
Pooled funds overseas private equities	449,896	438,729
Pooled funds overseas private equity infrastructure	195,222	164,463
Total overseas assets	**7,933,899**	**7,821,628**

Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 3.0%, (2021/22 3.0%). A 3.0% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Asset type	Value at 31-Mar-23 £000	Value on increase £000	Value on decrease £000
Overseas bonds	522,755	538,438	507,072
Overseas index-linked	104,447	107,580	101,314
Overseas equities	6,035,931	6,217,009	5,854,853
Pooled funds overseas Equities	542,738	559,020	526,456
Pooled funds overseas properties	82,910	85,397	80,423
Pooled funds overseas private equities	449,896	463,393	436,399
Pooled funds overseas private equity infrastructure	195,222	201,079	189,365
Total overseas assets	**7,933,899**	**8,171,916**	**7,695,882**

Asset type	Value at 31-Mar-22 £000	Value on increase (restated) £000	Value on decrease (restated) £000
Overseas bonds	490,836	505,561	476,111
Overseas index-linked	96,032	98,913	93,151
Overseas equities	5,965,276	6,144,234	5,786,318
Pooled funds overseas Equities	579,570	596,957	562,183
Pooled funds overseas properties	86,722	89,324	84,120
Pooled funds overseas private equities	438,729	451,891	425,567
Pooled funds overseas private equity infrastructure	164,463	169,397	159,529
Total overseas assets	**7,821,628**	**8,056,277**	**7,586,979**

e) 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.

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 our financial securities custodian on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in Note 17c.

f) 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.

Note 24. Contractual commitments

At 31 March 2023 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31-Mar-2023	Un-drawn commitments
	£m	£m
Private equity	2,545	1,609
Property funds	593	59
Total	**3,138**	**1,668**

At 31st March 2022 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31-Mar-2022	Un-drawn commitments
	£m	£m
Private equity	2,283	1,315
Property funds	718	57
Total	**3,001**	**1,372**

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.

Note 25. Accounting Developments

The introduction of, and amendments to, the accounting standards listed below are not expected to have any impact in the financial year and the financial statement of West Yorkshire Pension Fund. The Fund doesn’t have any lease transactions resulting in being a lessee or lessor.

IFRS 16 the new leases standard came into effect on 1 January 2019. IFRS 16 Leases may have a significant impact on balance sheet and results. IFRS 16 removes the current classification of leases between operating and finance leases for lessees. Instead, lessees will bring all leases within the scope of IFRS 16 (other than those for which the short term or low value exemptions have been taken) on balance sheet, showing an asset for the right of use and a liability for the discounted amount of future payments.

Note 26. Investment Strategy Statement

The West Yorkshire Pension Fund has prepared an Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. Full details of the ISS and the FSS are included in this report and are available on the Fund’s website
https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/

Note 27. List of Participating Employers Contributing to the Fund

In 2022/23 443 employers paid contributions into the Fund, at the end of the year there were 394 employers with active members.

Participating employers		
Bradford M.D.C	Blessed Peter Snow Catholic Academy Trust (Calderdale)	Churchill Contract Services (Bradford College Security)
Leeds City Council	Blessed Peter Snow Catholic Academy Trust (Kirklees)	Churchill Contract Services (Bradford College)
Calderdale M.B.C	Boothroyd Primary Academy	Churchill Contract Services (Outwood Grange Academies Trust)
Kirklees M.C	Bradford Academy	Churchill Contract Services Ltd (West Yorkshire Fire & Rescue)
Wakefield M.D.C	Bradford Children and Families Trust Ltd	Clapgate Primary School
Abbey Multi Academy Trust	Bradford College	Clayton Parish Council
Absolutely Catering Limited (Batley MAT)	Bradford Diocesan Academies Trust	Coalfields Regeneration Trust
Absolutely Catering Ltd (BGS)	Bradford District Credit Union	Cockburn Multi Academy Trust
Accomplish MAT	Bradford M.D.C. Councillors	Collaborative Learning Trust
Accord Multi Academy Trust	Bradshaw Primary School	Collingham Lady Elizabeth Hastings
Ackworth Parish Council	Bramley St Peters C of E School	Community Accord
Addingham Parish Council	Brighouse Academy	Compass (Leeds PFI Schools)
Adel St John The Baptist CE (VA) Primary School	Brigshaw Learning Partnership	Compass Contract Services (Delta Academies Trust)
Affinity Trust	Brodetsky Jewish (VA) Primary School	Compass Contract Services (UK) (Pontefract Academies Trust)
Alder Tree Primary Academy (WRAT)	Bronte Academy Trust	Compass Contract Services (UK) Ltd
All Saints CE J & I School	Brooksbank School Sports College	Compass Contract Services (Westborough High School)
All Saints Primary School (Collaborative Learning Trust)	Bulloughs (Temple Learning Academy RKLT)	Compass Contract Services (Whetley Academy)
All Saints Richmond Hill Church Of England Primary School	Bulloughs Cleaning Services Limited (Exceed Academies Trust)	Cookridge Holy Trinity C E Primary School
Amey Community Ltd Bradford BSF Phase 2 FM Services	Bulloughs Cleaning Services Limited (Share MAT)	Corpus CHRisti Catholic Primary School
Amey Community Ltd Fm Services	Bulloughs Cleaning Services Limited (WRAT)	Cottingley Primary Academy
Amey Infrastructure Services Ltd (Wakefield)	Bulloughs Cleaning Services Ltd (Poplar Farm Primary School)	Craft Centre & Design Gal. Ltd
Apcoa Parking (UK) Limited	Burley Parish Council	Creative Support Limited
Aramark Limited	Burnley Road Academy	Crescent Purchasing Ltd
Aramark Limited (Greenhead College)	C and K Careers Ltd	Crigglestone St James CE Primary Academy
Arcadis (UK) Ltd	Cafcass	Crossley Hall Primary School
Arts Council England	Calder High School	Crossley Street Primary School
Aspens (Ireland Wood Primary School)	Calderdale College	Crow Lane Primary And Foundation Stage School
Aspens Services Limited (Batley Multi Academy Trust)	Calverley C of E Primary School	Darrington C of E Primary School
Aspens Services Ltd	Cardinal Heenan Catholic High School	Deighton Gates Primary Foundation School
Aspens Services Ltd (Northern Star Academies Trust)	Care Quality Commission	Delta Academies Trust
Aspire Community Benefit Society Ltd	Carlton Academy Trust	Denby Dale Parish Council
Aspire-Igen Group Ltd	Carr Manor Community School	Dixons Academies Charitable Trust Ltd
Atalian Servest (Mast Academy Trust)	Carroll Cleaning Co Ltd (Lapage Primary School)	Dolce Limited (Bishop Konstant C.A.T)
Atalian Servest (St John Fisher Catholic Academy)	Carroll Cleaning Company (Churwell Primary School)	Elevate Multi Academy Trust
Baildon Town Council	Carroll Cleaning Company (Nessfield Primary School)	Enhance Academy Trust
Bankside Primary School	Carroll Cleaning Company Limited (Fearnville Primary School)	Enviroserve (Allerton Primary)
Bardsey Primary Foundation School	Carroll Cleaning Company Limited (Frizinghall)	Enviroserve (Low Moor Primary School)
Basketball England	Carroll Cleaning Company Ltd (Birkenshaw Primary School)	Enviroserve (Priestley Academy Trust)
Batley Grammar School (Batley M.A.T.)	Carroll Cleaning Company Ltd (Holy Trinity Primary)	Enviroserve (St Pauls Primary School)
Batley Multi Academy Trust	Carroll Cleaning Company Ltd (Peel Park Primary School)	Equans Services Ltd
Beckfoot Trust	Carroll Cleaning Company Ltd (Saltaire Primary)	Ethos Academy Trust
Beeston Hill St Lukes C E Primary School	Carroll Cleaning Company Ltd (Southmere Primary Academy)	Evolve Academy (Ethos Academy Trust)
Beeston Primary Trust	Carroll Cleaning Company Ltd (St Johns Wakefield)	Exceed Academies Trust
Belle Isle Tenant Management Org	Carroll Cleaning Company Ltd (Wakefield)	Fairfield School
Bid Services	Carroll Cleaning Company Ltd (Whetley)	Falcon Education Academies Trust
Bingley Grammar School	Castleford Academy Trust	Feversham Education Trust
Birstall Primary Academy	Cater Link Ltd (Selby College)	Feversham Primary Academy
Blessed Christopher Wharton Academy Trust	Chief Constable for West Yorkshire	Fieldhead Junior Infant And Nursery Academy

Participating employers		
Fleet Factors Ltd	Killinghall Primary School	Mellors Catering Services Limited (Exceed Academies Trust)
Foxhill Primary School	King James School	Mellors Catering Services Limited (Heckmondwike Grammar School)
Future Cleaning Services Limited (Calder High)	Kirkburton Parish Council	Mellors Catering Services Limited (Pennine Academies Trust)
Golcar Junior Infants and Nursery School	Kirklees Active Leisure	Mellors Catering Services Limited (Priestley Academy Trust)
Great Heights Academy Trust	Kirklees Citizens Advice And Law Centre	Mellors Catering Services Limited (Star Academies)
Great Heights Academy Trust (The M F G And Marsden)	Kirklees College	Mellors Catering Services Ltd (Baildon Glen Primary School)
Greenhead Sixth Form College	Kirklees M.C. Councillors	Mellors Catering Services Ltd (Cavendish Primary)
Groundwork Leeds	Kirkstall St Stephens C E (VA) Primary School	Meltham Town Council
Groundwork Wakefield	Lady Elizabeth Hastings School	Menston Parish Council
Grove House Primary School	Laisterdyke Leadership Academy	Micklefield Parish Council
Guiseley Infants	Lane End Primary Trust	Midshire Signature Services Ltd (Bronte Academy Trust)
Guiseley School	Learning Accord Multi Academy Trust	Midshire Signature Services Ltd (Co-Op Academy Smithies Moor)
Halifax Opportunities Trust (Calderdale)	Leeds Appropriate Adult Service	Midshire Signature Services Ltd (Guiseley School)
Hanson School	Leeds Arts University	Minsthorpe Academy Trust
Hawksworth C E (VA) Primary School	Leeds Beckett University	Miriam Lord Primary School
Heaton St Barnabas C of E Primary School	Leeds C.C. Councillors	Miriam Lord Primary School (Priestley Academy Trust)
Hebden Royd Town Council	Leeds Centre For Integrated Living	Mitie Catering Services Limited
Heckmondwike GS Academy Trust	Leeds City Academy	Mitie FM Ltd
Heckmondwike Primary School	Leeds City College	Mitie FM Ltd (P.C.C For West Yorkshire)
Hemsworth Town Council	Leeds College Of Building	Mitie Integrated Services Ltd
Hepworth Gallery Trust	Leeds College Of Music	Mitie Limited (Leeds Schools PFI)
Hill Top First School	Leeds East Primary Partnership Trust	Mitie PFI Limited
Holme Valley Parish Council	Leeds Grand Theatre & Opera House	Moorlands Learning Trust
Holy Family Catholic (VA) Primary School	Leeds Jewish Free School	Morley Town Council
Holy Trinity Primary C of E Academy	Leeds North West Education Partnership	Mount St Marys Catholic High School
Horbury Bridge CE J And I School	Leeds Society For The Deaf & Blind	Mountain Healthcare Ltd (W Y Police)
Horsforth School Academy	Leeds Trinity University	Myrtle Park Primary School
Horsforth Town Council	Leodis Academies Trust	N.I.C. Services Group Limited (Middleton St Marys Leeds)
Huddersfield New College	Liberty Gas Outer West	National Coal Mining Museum For England
Hugh Gaitskell Primary School Trust	Liberty Gas West	Nell Bank Charitable Trust
Humankind Charity (Leeds)	Lidget Green Community Co-Operative Learning Trust	New Collaborative Learning Trust
Hunslet St Josephs Catholic (VA) Primary School	Lighthouse School	Ninelands Primary School
Hutchison Catering Limited (Iveson)	Lindley C E Infant Academy	Normanton Town Council
Hutchison Catering Ltd (Cottingley Primary Academy)	Lindley Junior School Academy Trust	Norse Group Limited (Wellspring Academy Trust)
Hutchison Catering Ltd (Feversham Primary Academy)	Littlemoor Primary	North Halifax Grammar Academy
Hutchison Catering Ltd (Guiseley School)	Littletown Junior School	North Halifax Partnership Ltd
I S S Mediclean Ltd	Locala	North Huddersfield Trust School
Ilkley Parish Council	Locala (Calderdale)	Northern Ambition Academies Trust
Impact Education Multi Academy Trust	Longroyde Junior School	Northern Education Trust
Incommunities	Low Moor Primary School	Northern School of Contemporary Dance
Independent Cleaning Services Ltd (Star Academies Trust)	Making Space	Northern Star Academies Trust
Innovate Services Ltd (Crossflatts)	Mast Academy Trust	Northorpe Hall Child And Family Trust
Inspire Partnership Multi Academy Trust	Maxim Facilities Management Limited (Southfield Grange)	Notre Dame Sixth Form College
Interaction And Communication Academy Trust	Maxim Facilities Management Ltd (Ireland Wood Primary School)	NPS Leeds Limited
Interaction And Communication Academy Trust (High Park)	Meanwood C E (VA) Primary School	Nurture Academies Trust
Iqra Academy (Feversham Education Trust)	Mears Ltd (West)	Oasis Academy Lister Park
Keelham Primary School	Mellors Catering Services (Share MAT)	Old Earth Academy
Keepmoat Property Services Limited	Mellors Catering Services Limited (Appleton Academy)	One In A Million Free School
Keighley Town Council	Mellors Catering Services Limited (Elevate MAT)	Open College Network Yorks & Humber (Trading as CERTA)

Participating employers		
Ossett Trust	Scout Road Academy	The Family of Learning Trust
Otley Town Council	Sea Fish Industry Authority	The Gorse Academies Trust
Oulton Academy (Falcon Education Academies Trust)	Share Multi Academy Trust	The Lantern Learning Trust
Our Lady of Good Counsel Catholic Primary School	Shibden Head Primary Academy	The MFG Academies Trust
Our Learning Cloud (BDAT)	Shipley College	Thornhill Junior And Infant School
Outwood Academy Freeston	Shipley Town Council	Thornton Primary School
Outwood Academy Greenhill	Shirley Manor Primary Academy	Thorp Arch Lady Elizabeth Hastings C E (VA) Primary School
Outwood Academy Hemsworth	Sitlington Parish Council	TNS Catering (SPTA)
Outwood Academy Wakefield City	Skills For Care Limited	Together Housing Association Ltd (Greenvale)
Outwood Grange Academy	Sodexo Ltd	Together Housing Association Ltd (Pennine)
Outwood Primary Academy Bell Lane	Sodexo Ltd (Oasis Academy Lister Park)	Together Learning Trust
Outwood Primary Academy Kirkhamgate	South Elmsall Town Council	Tong Leadership Academy
Outwood Primary Academy Ledger Lane	South Hiendley Parish Council	Tranmere Park Primary
Outwood Primary Academy Lofthouse Gate	South Kirkby And Moorthorpe Town Council	Trinity Academy Halifax
Outwood Primary Academy Newstead Green	South Ossett Infants Academy	Turning Lives Around
Outwood Primary Academy Park Hill	South Pennine Academies	Turning Point
Owlcotes Multi Academy Trust	Spen Valley High School	United Response
Oxenhope Village Council	SPIE Ltd	University Academy Keighley
Paddock Junior Infant And Nursery School	SSE Contracting Ltd	University of Bradford
Pennine Academies Yorkshire	St Anne's (Bradford) Community Services	University of Huddersfield
Pinnacle (W Y Police)	St Anne's Community Services	University Technical College Leeds
Pinnacle FM Limited (Kirklees)	St Anthonys Catholic (VA) Primary School	W.Y. Fire & Rescue Authority
Pinnacle FM Ltd	St Bedes And St Josephs Catholic College	Wakefield & District Housing Ltd
Polaris M.A.T	St Edwards Catholic (VA) Primary School	Wakefield College
Pontefract Academies Trust	St Francis Catholic Primary School	Wakefield College Selby
Pool Parish Council	St Gregory The Great Catholic Academy Trust	Wakefield M.D.C. Councillors
Possabilities CIC	St John's (CE) Primary Academy Trust	Waterton Academy Trust
Priestley Academy Trust	St John's Approved Premises Limited	Wellspring Academy Trust
Primley Wood Primary School	St John's Primary Academy Rishworth	West Yorkshire Combined Authority
Primrose Lane Primary Foundation School	St Josephs Catholic (VA) Primary School Wetherby	Westborough High School
Progress To Change (Cardigan House)	St Josephs RC Primary School (Todmorden) RCAT	Westwood Primary School Trust
Progress To Change (Ripon House)	St Matthews C E Primary School	Wetherby High School
Pudsey Grangefield School	St Michael & All Angels J & I	Wetherby Town Council
Pudsey SoutHRoyd Primary School Trust	St Nicholas Catholic Primary School	Whinmoor St Paul's C E Primary School
Queensway Primary	St Oswalds Church Of England Primary School	Whitehill Community Academy
Rainbow Primary Leadership Academy	St Patricks Catholic (VA) Primary School	William Henry Smith School
Rawdon Parish Council	St Peters C E Primary School	Wilsden Primary School
RCCN Limited (Chellow Heights School)	St Philips Catholic Primary School	Wolseley UK Ltd
Red Kite Learning Trust (Harrogate HR Hub)	St Theresa's Catholic Primary School	Woodside Academy
Red Kite Learning Trust (Leeds East HR Hub)	Star Academies Trust	Worth Valley Primary School
Reevy Hill Primary School	Strawberry Fields Primary School	WRAT - Leeds East Academy
Renewi UK Services Limited	Suez Recycling and Recovery UK Limited	WRAT - Leeds West Academy
RFM Group Services Limited (Sandy Lane Primary School)	Taylor Shaw (RKLT)	Wrose Parish Council
Rodillian Multi Academy Trust	Taylor Shaw Limited (Gorse Academies Trust)	Yeadon Westfield Infants
Rook's Nest Academy	Taylor Shaw Limited (Gorse at Elliott Hudson College)	Yeadon Westfield Junior
Rothwell St Marys Catholic (VA) Primary School	Taylor Shaw Ltd (Gorse Boston Primary School)	Yorkshire Purchasing Organisation
Roundhay St Johns C E (VA) Primary School	The Anah Project	
Rufford Park Primary	The Bishop Konstant Catholic Trust	
Russell Hall First School	The Bishop Wheeler Catholic Academy Trust	
Ryhill Parish Council	The Cellar Trust Limited	
Salendine Nook Academy Trust	The Cellar Trust Ltd (Bradford Wellbeing Service)	
Salterlee Academy Trust	The Co-Operative Academies Trust	
SBFM Limited (Bradford College)	The Crossley Heath Academy Trust	

Glossary of Terms

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).

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 non-current assets, or which adds to, and not merely maintains, the value to the Council of existing non-current assets. Non-current 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 non-current 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 non current 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 non-current 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.

Non-Domestic Rates (NNDR)
These are rates levied on business properties. The level of NNDR charges is set by the Government. The Council receives 49% of the rates levied in the district, central government 50% and West Yorkshire Fire and Rescue Authority 1%.

Net Book Value
The amount at which non-current 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
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
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
VAT	Value Added Tax
YPO	Yorkshire Purchasing Organisation

Annual Governance Statement 2022-23

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 2023 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 framework consist of the following key elements:

2.1 Code of Corporate Governance.

The Council's Code of Corporate Governance adopts the seven core principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government", being;

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.2 The Constitution of the Council

The Constitution, reviewed at Annual Council on 17 May 2022, provides a framework for decision-making in accordance with legal requirements for the discharge of the Council's roles and functions. This includes the framework delegated below full Council within which the Executive and regulatory committees take decisions in discharge of the Council's executive and regulatory functions, subject to the examination of a number of Overview and Scrutiny Committees. Full Council, the Executive and committee members are collectively responsible for the decisions they make, and the decision-making arrangements are designed to be open, transparent, and accountable to local people. It should be noted that in 2023/24 the Council is embarking on a full review of its Constitution to ensure it is up to date, compliant with best practice and meets Council needs.

3. Review of Effectiveness

3.1 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;

3.1.1 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 and ensure scrutiny of the annual managers' governance assurance responses (see 3.1.2 below).

3.1.2 The Council conducts an annual self-assurance process for managers on their compliance with key governance issues across the seven core principles of good governance included in the Council's Code of Corporate Governance (see 2.1 above). The process targets different aspects of the governance framework each year. For 2022/23, the process covered the following areas.

- Behaviours and Values.
- Employee Code of Conduct.
- Regulatory Compliance.
- Whistleblowing.
- Procurement.
- Equality.
- Service Planning (including environmental impacts).
- Performance.
- Scheme of Delegation.
- Safeguarding.
- Health & Safety.
- Risk Management.
- Records Management & Information Security.
- Compliance with the Council's Financial Regulations & Budgetary Control.
- Partnerships.

The completed assessments are shared with Assistant Directors who subsequently provide a declaration that they have examined the results for their service areas and taken corrective action to deal with any weaknesses identified. Completed assessments were provided to all Assistant Directors by their 4th tier managers, and a total of 112 assessments were made.

The responses are also assessed by suitable specialist officers for each area listed above, with actions taken to address any lapses in compliance across the Council.

3.1.3 The Council has been required to comply with the CIPFA Financial Management Code since 2021/22. The Code provides guidance for good and sustainable financial management in local authorities and offers assurance that authorities are managing resources effectively.

A full self-assessment against the Financial Management Standards within the Code was approved by the Governance and Audit Committee on 23 September 2021. This provided strong assurance of compliance against the requirements of the code. No material gaps were identified though opportunities for further improvement were recognised as part of the continuous improvement processes. This was further reviewed by Finance Managers in 2023 when the assessment was updated. No significant concerns were raised.

3.1.4 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". In April 2023 the Committee received a report assessing its compliance with CIPFA Guidance. Overall, the Committee was technically compliant, but a number of improvements were suggested including the recruitment of independent lay members to the Committee and the reporting of performance.

3.1.5 The review is also informed 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 provided at regular intervals to Governance and Audit Committee. The Head of Internal Audit, Insurance & Risk 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. The Head of Internal Audit, Insurance and Risk provided the Internal Audit Annual Report for 2022/23 to Governance & Audit Committee on 20 July 2023. From the work undertaken by Internal Audit throughout the year and taking into account other internal and external assurance processes the Internal Audit opinion was that overall, the internal control environment, risk management and governance framework of the Council was effective.

3.1.6 Action plans for improvement are devised and implemented in response to recommendations from Internal Audit, 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.

3.1.7 The Council liaises closely with the Information Commissioner's Office in reporting and disclosing information security risks and incidents, and to ensure it discharges fully its duties under the Data Protection Act 2018.

4. Significant Governance Issues

4.1 The annual review identifies that the Council has arrangements in place which provide for a sound governance framework and system of internal control.

Delivery of a complex range of services and strategic objectives across the District provides continuous governance challenges. The Council's Code of Corporate Governance requires that significant governance issues are identified within this statement.

4.2 Overview

There were six specific governance issues highlighted in last year's Annual Governance Statement. Two of these issues, Integrated Health Care and Elective Home Education, will not be monitored through the AGS in 2023/24. The Safeguarding Children issue highlighted in 2022/23 has been broadened to include the Council's responsibilities to all vulnerable people, which will continue to be monitored in 2023/24. The three issues concerning Key Staffing Skills, Budget Pressures and Procurement have been combined, as whilst they all have significant operational consequences, from a governance perspective the impact on the Council is meeting its statutory compliance requirements. There are three new Governance issues raised for 2023/24.

4.3 Resolved Governance Issues

The governance challenge relating to ensuring an effective integrated system of health and social care was determined as maturing into a controlled business as usual activity during 2022/23. The Elective Home Education issue is now determined as an operational risk and monitored through the Council's Risk Management process.

4.4 Ongoing Actions

4.4.1 Safeguarding Vulnerable People

In relation to Children a number of significant changes have occurred with Childrens social care being transferred to the Bradford Children and Families Trust on the 1st April 2023. The arrangements across the District are still being monitored through the Ofsted Inspection process. Adult Safeguarding is the focus of the Health and Well Being Board who monitor the key risks facing the sector such as the risk of failure of independent or in-house providers, inadequate quality assurance processes, a breakdown with key partners or the lack of effective communication.

4.4.2 Organisational Capacity and its Impact on Statutory Compliance

There continues to be local and national shortages of professional, specialist and skilled staff within the employment market which has led to recruitment and retention difficulties in key posts. The Council has embarked on a programme to address the financial sustainability which includes focusing on Income, Costs, the Childrens Trust, Capital Programmes and the judicious management of Reserves. Within Procurement compliance, governance and forward planning are the key priorities for the team.

Overall, the Council has the required policies in place to support the delivery of services. However, a number of these functions overlap, such as disaster recovery, risk management, emergency planning and business continuity planning. There are also other significant statutory compliance arrangements that the Council must follow that cover Human Resources, Legal and Financial functions. It is the case that for the Council to be fully compliant, large numbers of officers need to be aware of the correct processes and there needs to be capacity to deliver the associated administration. The Council is now in a position where capacity issues limit the Council's capability to ensure compliance authority wide. The implications of this will need to be monitored in 2023/24.

4.5 Further 2023/24 Governance Challenges

The Council has recognised three further governance challenges that will be monitored through 2023/24, which are outlined below.

4.5.1 Bradford Children and Families Trust (BCFT)

BCFT is a wholly owned subsidiary company of the Council, with operational independence from the Council in respect of the day-to-day management and performance. The Trust is overseen, managed, and regulated by its Board of Trustees, and Chaired by an Independent Chair Eileen Milner. The Council in line with contractual arrangements between the Council and the Trust, scrutinises its delivery against the Contract. The Council remains the statutory body responsible for children's services and the accountable body in relation to Ofsted inspections.

4.5.2 Bradford UK City of Culture 2025

Bradford Culture Company was created to develop and deliver the events programme as part of UK City of Culture 2025. One role of the Company is to maximise the resources available to deliver a spectacular UK City of Culture Year. The Company has achieved significant success in this regard and funding secured will exceed the targets initially established for the year, as set out in the bid for UK City of Culture status which secured the title. The Company is now in the process of recruiting to full establishment, and this is progressing well. For its part, the Council has committed a significant level of both Capital and Revenue funding to delivery of the UK City of Culture 2025.

A review of existing governance arrangements in relation to UK City of Culture has been commissioned for completion during Autumn 2023. Any deficiencies or recommended improvements identified will form the basis of an action plan to ensure as we move towards 2025 a robust governance framework is in place between the parties. It will also ensure that there is clarity of responsibilities in the role of the Council as accountable body in relation to contributions / grants / donations by third parties towards delivery of UK City of Culture year, including (but not limited to) DCMS, WYCA and Arts Council / Heritage Lottery Fund. The role of the Council as financial guarantor of the 2025 programme will be reviewed along with any necessary controls required above and beyond existing measures. Any revised arrangements will also look at representation and reporting and ensure that there is effective control of expenditure and delivery in relation to the post 2025 legacy activities of the council and Culture Company.

A funding agreement will also be put in place which will determine the outcomes required and draw-down arrangements in relation to the council's £9m financial contribution towards delivery of UK City of Culture 2025.

4.5.3 Delays in External Audit

Over the last four years there has been an increasing national backlog in the external audit of Councils' Statement of Accounts. This has been due to a shortage in capacity in the external audit market. Whilst Bradford had been able to avoid the early impact of these delays the Council's Statement of Accounts for 2021/22 is still to receive its Audit completion certificate. The Leader and Chief Executive have not therefore received the full assurance they could expect from the External Audit Process. The Department for Levelling Up Housing and Communities are looking to deliver a recovery plan which will address this national issue.

5. West Yorkshire Pension Fund

The Council is the administering authority for West Yorkshire Pension Fund (WYPF). 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 (LGPS) Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the LGPS 2008.

The Council's Governance and Audit Committee has legal and strategic responsibility for WYPF. The Council has established three bodies to assist and support the Governance & Audit Committee oversee WYPF:

- WYPF Investment Advisory Panel and
- WYPF Joint Advisory Group
- WYPF Pension Board

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.

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.

WYPF Pension 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 LGPS regulations and any other legislation relating to governance and administration of the LGPS;
- securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator (TPR);
- any other such matters as the LGPS regulations may specify.

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.

- 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 Investment Advisory Panel and Joint Advisory Group.

The risk register and operational results were reported to the Investment Advisory Panel and Joint Advisory Group on the 27 July 2023.

West Yorkshire Pension Fund is a major partner in the Northern LGPS Pool, which is helping to reduce investment costs and provide greater scope to allow investments in major regional and national infrastructure projects. Each quarter a report on the Northern LGPS is taken to the Investment Advisory Panel which details the following governance arrangements.

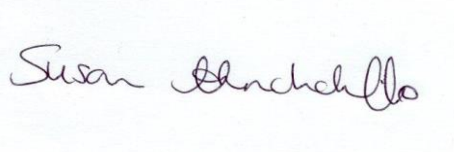
- Individual funds still retain their role of setting asset allocation and investment policy, but increasingly delegate the implementation of that policy to the Northern LGPS Joint Committee.

- The Joint Committee has responsibility for ensuring the appropriate structure and resources are in place to implement the investment policy set by each fund.

- The Joint Committee consists of two Members appointed by each Fund plus a total of three trade union representatives. It does not have any direct involvement in the appointment of managers, or selection of investments. These matters are fully delegated to professional officers, in accordance with the 2015 Pooling Guidance

6. Statement

We are satisfied that an effective system of internal control has been in place throughout the financial year and is on-going. 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.



Councillor Susan Hinchcliffe, Leader of Council

Kersten England CBE, Chief Executive

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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 21st March 2024

AK

Subject:

Treasury Management Strategy 2024-25

Summary statement:

This report shows the Council's 2024-25 Treasury Strategy and Prudential Indicators

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Director of Finance

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Portfolio:
Corporate Services

Overview & Scrutiny Area:
Corporate Services

1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. With Government support provided in the form of Capitalisation Directions the Council will meet this requirement. The Council has concluded that the revenue expenditure it is anticipated to incur in each year of the period 2024-28 is likely to exceed the financial resources available and that reaching financial and operational sustainability without further government assistance will not be possible. In 2023-24 the Council has requested a capitalisation directive of £80m, and £140m has been requested to balance the budget in 2024-25.

A capitalisation directive allows the Council to use capital funding sources (borrowing and receipts from asset disposals) to fund revenue costs for an agreed period. It needs to be noted that capitalisation of revenue spend increases the cost of borrowing in following years. Each additional £10m borrowed through capitalisation directions would however add an estimated £0.9m per annum to future borrowing costs for 20 years.

Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

1.2.1 Capital Strategy

The CIPFA 2021 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how treasury investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny
The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit Committee.

1.2.4 Quarterly reports
In addition to the three major reports detailed above, from 2023-24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. This role is undertaken by the Executive Committee as part of the Quarterly Finance Reports.

1.3 Treasury Management Strategy for 2024-25

The strategy for 2024-25 covers two main areas:
Capital issues
- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues
- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, Department of Levelling Up Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

Treasury Management Practices (TMPs)

The Council is currently updating its TMPs, and these will be presented to Full Council for approval during 2024-25.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer (in Bradford the Director of Finance) to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny. Annual treasury management training is provided by the Council's treasury management adviser, Link Group Treasury Services Ltd. The most recent training was undertaken by Members on the 23rd November 2023. This training helps elected members to develop their skills and knowledge by defining the role of officers and elected members in treasury management decisions and highlighting the risks and opportunities in treasury management.

The training needs of treasury management officers are periodically reviewed. Most of this training is provided by Link Group, Treasury Services Ltd. however, staff are also encouraged to undertake other relevant training as it becomes available.

A formal record of the training received by officers central to the Treasury function will be maintained. Similarly, a formal record of the treasury management/capital finance training received by Members will also be maintained.

1.5 Treasury management consultants

The Council uses Link Group, Link Treasury Services Limited as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions always remains with the organisation and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

2. CAPITAL PRUDENTIAL INDICATORS

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the capital prudential indicators, which are designed to assist members' overview of the Council's Capital Investment Plan (CIP) to ensure that the capital expenditure plans are affordable, sustainable and prudent.

2.1 Capital expenditure and financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The proposed CIP includes £772m of capital investment in the District (£736m General Fund and £36m Housing Revenue Account). The HRA is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services paid for from the general fund. HRA capital expenditure is therefore recorded separately.

Table 1: Capital Expenditure

Capital expenditure	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
General Fund	-	216	234	122	60	104
HRA*	-	3	15	10	8	-
Total CIP	**154**	**219**	**249**	**132**	**68**	**104**
Capitalisation direction (EFS)	-	80	140	106	88	52
TOTAL CAPITAL SPEND	**154**	**299**	**389**	**238**	**156**	**156**

*Separate HRA applies from 01-04-2023

Table 1 also includes an annual amount for capitalisation directions and these contribute significantly to the Capital Programme. From 2025-26 onwards these are included based on estimates for the ongoing support required by the Council.

Against the Council financial backdrop the Council's Capital Programme is significantly impacted. The Council is projecting to spend £299m in 2023-24 and total planned expenditure of £1,238m (including capitalisation directions) across the five remaining years of the Capital Programme.

The Council's high level of short-term borrowing and cost pressures from increased interest rates means the Council will be undertaking a full review of all capital spending projects as part of its plan to ensure the Council returns to financially sustainability starting in March 2024. The CIP will be reviewed to reflect a reduction in scale and cost, it will comprise only core programmes and schemes that i) the Council are committed to commercially, ii) meet statutory obligations, iii) deliver savings in management and maintenance costs, and iv) avoid future cost increases.

The capital expenditure shown above excludes other long-term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements which already include borrowing instruments.

Table 2 over summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2: Capital funding

	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Total Capital Spend	**154**	**299**	**389**	**238**	**156**	**156**
Capital Spend not funded from borrowing	76.6	110	145	87	52	66
Capitalisation direction (EFS) not funded by borrowing (estimated capital receipts)	-	-	18.0	18.0	15.0	15.0
Capital spend funded from borrowing	77.4	109	104	45	16	39
Capitalisation direction (EFS) funded by borrowing	-	80.0	122	88	73	36
Total spend funded from borrowing	**77.4**	**189**	**226**	**133**	**89**	**75**

The borrowing need for capital expenditure in 2024-25 is currently expected to be £104m for the Capital Investment Pan and £122m for the capitalisation direction. This will however change if there is a revision to the spending profile of the capital plan following the full review.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases currently). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £139m of such schemes within the CFR.

Table 3: Capital Financing Requirement

	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
General Fund	-	904	1,099	1,195	1,242	1,277
HRA*	-	33	39	44	49	49
Capital Financing Requirement	**769**	**937**	**1,138**	**1,239**	**1,291**	**1,326**
Movement in CFR		**168**	**201**	**101**	**52**	**35**
Movement in CFR represented by						
Net financing need for the year (above)		189	226	133	89	75
Less MRP/VRP and other financing movements		-21	-25	-32	-37	-40
Movement in CFR		**168**	**201**	**101**	**52**	**35**

*Separate HRA applies from 01-04-2023

Table 3 shows:

- The actual CFR at 31 March 2023 was £769m. This figure is also shown in the Council's draft statement of accounts and is being externally audited.
- The CFR is projected to increase, peaking at £1,326m at 31 March 28. There is an increase when borrowing in year for a capital purpose is more than the amounts set aside to fund the principal repayments. It also reflects the additional borrowing for capitalisation direction.

2.3 Liability Benchmark

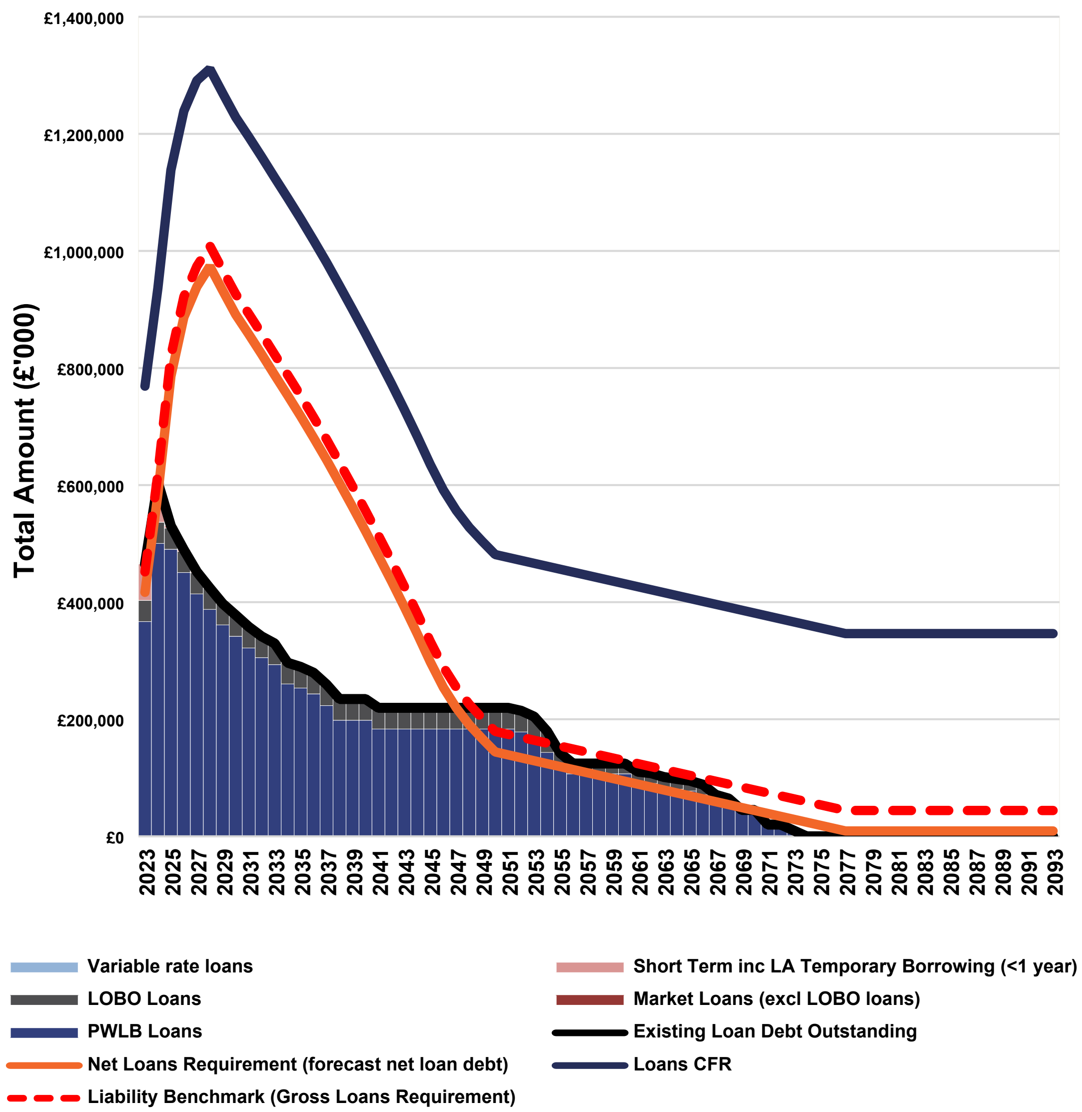
The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. The Liability Benchmark, based on current capital plans and cash flow assumptions, therefore gives the Council an indication of how much it needs to borrow, when it is likely to need to borrow, and where to match maturities to its planned borrowing needs. The liability benchmark makes no assumption about the level of future prudential borrowing in unknown capital budgets.

There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The purpose of this prudential indicator is to compare the Council's existing loans outstanding against its future need for loan debt; the liability benchmark (the red dotted line). If the loans outstanding are below the liability benchmark (the red dotted line), the existing debt outstanding is less than the loan debt required, and the Council will need to borrow in the future to meet the shortfall. If the loans outstanding are above the liability benchmark (the red dotted line), the Council will have more debt than it needs based on current plans and the excess will have to be invested.

Graph 1 Liability Benchmark



As can be seen from the Council's liability benchmark graph, the loans outstanding, CFR, liability benchmark and net loans requirement broadly follow the same trend lines. Based on the CFR position and loans outstanding at 29th February 2024 we see the Council's current under borrowed position. In the next 5 years the CFR increases in line with prudential borrowing expectations to fund increases to the capital programme before gradually starting to decrease. The liability benchmark and net loans requirement also increase to indicate the additional borrowing need before gradually starting to decrease. Existing loans start to decrease as maturities occur and loans are paid back.

Considering the current under borrowed position and with no assumptions on future borrowing requirements beyond the current capital programme, the gap between the CFR and loans outstanding remain broadly similar over the term indicted on the liability benchmark graph. When considering the liability benchmark and net loans requirement this gives an indication of how much future loan debt may need be taken and on what maturity term to assist with long term planning and reduce risk.

Actual future debt taken may not exactly follow the liability benchmark as this is only a guide at a specific point in time, and one of several considerations when drawing down long term debt, to be determined by the S.151 Officer.

2.4 Minimum revenue provision (MRP) policy statement

In accordance with the Local Government Act 2003 the Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the Full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The policy, as approved by Executive 05 March 2024 and Full Council 07 March 2024, is set out in Appendix 2.

Full Council approved the MRP statement. There are no proposed changes to the Council's MRP policy for 2024-25. The main elements of the policy are set out below.

- For supported borrowing MRP will be calculated using an Asset Life annuity basis on the remaining average life of the overall asset base. This is considered to be more prudent than other available methods.

- For all unsupported borrowing MRP will be calculated using an Asset Life annuity basis. Estimated asset life periods will be determined under delegated powers.

- Capital expenditure incurred during 2024-25 will not be subject to an MRP charge until 2025-26, or in the year after the asset becomes operational.

- The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

- For MRP in respect of PFI contracts the charge to the revenue account is over the life of the school building assets. As per the main borrowing this is on an annuity asset life basis.

- MRP in respect of finance leases will equal the repayment amount for the year.

- There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31st March 2023 and as at 31st January 2024 are shown below for both borrowing and investments.

Table 4: Treasury Portfolio

	Actual 31 March 2023 £m	Actual 31 March 2023 %	Current 31 January 2024 £m	Current 31 January 2024 %
Treasury Investments				
Banks	0	0	0	0
Building Societies	0	0	0	0
DMADF (H M Treasury)	0	0	0	0
Money Market funds	48.3	100	7.1	100
Total Treasury Investments	**48.3**	**100**	**7.1**	**100**
Treasury External Borrowing				
Other	12.1	3	14.5	2
PWLB	366.8	78	445.3	80
LOBOs	36.2	8	36.2	7
Short term borrowing	50.0	11	60.0	11
Total external borrowing	**465.1**	**100**	**556.0**	**100**
Net Treasury Investments / (borrowing)	**416.8**		**548.9**	

At 31 January 2024 the Council had £556m of fixed interest rate debt. The cash balance available for investment was £7.1m. Over the long term as the Capital Programme progresses the level of cash available for investment is gradually decreasing as expected as the Council is using previously held balances to fund the programme.

The level of cash balances available is largely dependent on the timing of the Council's cash flow because of precept payments, receipt of grants, receipt of developers contributions, borrowing for capital purposes, payments to its suppliers of goods and services and spend progress on the Capital Plan. Cash held compared with this time last year has decreased due to the timing of these cash flows and the cash balances are therefore only available on a temporary basis.

The Council's forward projections for borrowing are summarised over. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing

Requirement - CFR), highlighting any over or under borrowing. The Council is currently maintaining an under-borrowed position in relation to the Capital Financing Requirement.

The Council is forecast to hold around £668 million of external borrowing and £130m other long-term liabilities as at 31 March 2024. This is analysed in Table 5.

Table 5: Borrowing Projection

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m
Capital Financing Requirement	**769**	**937**	**1,138**	**1,239**	**1,291**	**1,326**
General Fund - Private Finance Initiative	-139	-130	-121	-111	-101	-90
External Borrowing	**-465**	**-668**	**-885**	**-995**	**-1,115**	**-1,137**
Under / (over) borrowing	165	139	132	133	75	99

Table 5 shows that, based on the capital programme (paragraph 2.1), additional borrowing from PWLB will be required if capital programme expenditure matches the anticipated spending profile. The borrowing requirement is a key driver of the borrowing strategy. The timing of any additional borrowing given the amounts indicated in the table above will be closely monitored. Members will recall that capital spending plans have been reprofiled year on year and it is likely that the trend could be repeated in 2024-25 and future years.

The relative mix of future internal and external borrowing will be considered in conjunction with advice from the Council's external treasury management advisor, noting that provision has been made in the updated Council budget plan revenue resource assumptions to accommodate a continued future mix of internal and external borrowing.

Within the range of prudential indicators there are several key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2024-25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The Council should include within the forecast gross borrowing figures in Table 5, any debt that relates to commercial activities / non-financial investments. The Council has no external debt for commercial activities/non-financial investments included in the gross borrowing figures in Table 5.

Salix Finance Limited provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council has taken the opportunity to secure £19.1 million interest free loans to part fund the £45 million approved street lighting replacement scheme in the Council's approved capital plan. To date, the Council has received £17.9m from Salix and repaid £2.8m.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit.

Table 6: Operational Boundary and Authorised Limit

	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Operational boundary	860	1,140	1,250	1,300
Authorised limit	880	1,160	1,270	1,320

3.3 Interest Rate Forecast

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 5th February 2024. These are forecasts for certainty rates, gilt yields plus 80 bps.

Table 7: Interest rate Forecast

Link Group Interest Rate View	05.02.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

- Link Group's central forecast for interest rates was previously updated on 7 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by keeping Bank Rate at 5.25% until at least H2 2024. We expect rate cuts to start when both the CPI inflation and wage/employment data are supportive of such a move, and when there is a likelihood of the overall economy enduring at least a slowdown or mild recession over the coming months (although most recent GDP releases have surprised with their on-going robustness).
- Naturally, timing on this matter will remain one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but also international factors such as policy development in the US and Europe, the provision of fresh support packages to support the faltering recovery in China as well as the on-going conflict between Russia and Ukraine, and Gaza and Israel.

PWLB RATES

- The short and medium part of the gilt curve has rallied since the start of November as markets price in a quicker reduction in Bank Rate through 2024 and 2025 than held sway back then. This reflects market confidence in inflation falling back in a similar manner to that already seen in the US and the Euro-zone. At the time of writing there is 0.7% difference between the 5 and 50 year parts of the curve.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is even.

Downward pressure to current forecasts for UK gilt yields and PWLB rates include:-

- Labour and supply shortages prove more enduring and disruptive and depress economic activity.
- The Bank of England has increased Bank Rate too fast and too far over recent months, and subsequently brings about a deeper and longer UK recession than we currently anticipate.
- Geopolitical risks, for example in Ukraine/Russia, the Middle East, China/Taiwan/US, Iran and North Korea, which could lead to increasing safe-haven flows.

Upward pressures to current forecasts for UK gilt yields and PWLB rates: -

- Despite the move in Bank Rate to 5.25%, the Bank of England allows inflationary pressures to remain elevated for a long period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project.
- The pound weakens because of a lack of confidence in the UK Government's pre-election fiscal policies, which may prove inflationary, resulting in investors pricing in a risk premium for holding UK sovereign debt.
- Projected gilt issuance, inclusive of natural maturities and the sale of the Bank's QE programme**,** could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing advice from our advisors: The Link long-term (beyond 10 years) forecast for Bank Rate remains at 3% and reflects Capital Economics' research that suggests AI and general improvements in productivity will be supportive of a higher neutral interest rate. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context. Overall, better value can be obtained at the shorter end of the curve and short-dated fixed LA to LA monies should be considered (although this is currently not a realistic option for CBMDC due to our budget overspend). Temporary borrowing rates will remain elevated for some time to come but may prove the best option whilst the market continues to factor in Bank Rate reductions for 2024 and later.

3.5 Borrowing strategy

The factors that influence the 2024-25 strategy are:

- The movement in CFR (set out in Table 3);
- The interest rate forecasts (set out in Table 7);

- Aiming to minimise revenue costs to reduce the impact on the Council Tax Requirement;
- The impact of the Council's Capital Programme; and
- The capitalisation direction – EFS.

The Council is forecast to hold around £798 million of external borrowing and long-term liabilities at 31 March 2024, an increase of £194 million on the previous year, as part of its strategy for funding the capital programme and the additional borrowing for the Capitalisation direction.

The Council is currently maintaining an under-borrowed position (Table 5). This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. The Council has a significant borrowing need due to the increasing CFR and depleting reserves; the internal borrowing used to fund the CFR will be converted to external borrowing. The Council needs to lock in the costs to minimise risks of fluctuating interest rates and provide certainty on costs for the treasury budget. Medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy.

In addition the Council may borrow short-term loans to cover unplanned cash flow shortages.

Against this background and the risks within the economic forecast, caution will be adopted with the 2024-25 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

At the point of acquiring longer term funding consideration will be given to:

- Whether the forecast capital borrowing requirement has reduced or slipped into the following year.
- The forecast changes to levels of reserves/balances, including whether the Council has received funding in advance of spending for capital schemes.

The strategy is to take longer term fixed rate borrowing when opportunities arise in combination with the temporary use of short-term borrowing as required.

The HRA strategy for borrowing will be the same as the borrowing strategy described above for the whole Council. The HRA Business Plan will guide and influence the overall HRA borrowing strategy.

Any decisions will be reported to the appropriate decision-making body at the earliest opportunity.

3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

3.8 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency.
- UK Infrastructure Bank.

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Approved Sources of Long and Short-term Borrowing
Table 8 shows sources of borrowing that the Council may use and whether the related interest rates are fixed or variable.

Table 8: Approved sources of long and short term borrowing

On Balance Sheet	Fixed	Variable
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●

Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital and Investment Strategies (separate reports that went to full Council 7th March 2024).

The Council's investment policy has regard to the following: -
- DLUHC's Guidance on Local Government Investments ("the Guidance").
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code").
- CIPFA Treasury Management Guidance Notes 2021.

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite.

The Council expects to be a long-term borrower and new treasury investments will therefore be made primarily to manage day-to-day cashflows using short-term low risk instruments.

In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of types of investment instruments that the treasury management team are authorised to use.

- Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally, they were classified as being non-specified investments solely due to the maturity period exceeding one year.
- Non-specified investments are those with less high credit quality, may be for periods more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

5. Non-specified and loan investment limits. The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of £20m.

6. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. Transaction limits are set for each type of investment in 4.2.

8. This Council will set a limit for its investments which are invested for longer than 365 days, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.3).

10. This Council has engaged external consultants, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in sterling.

However, this Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

Changes in risk management policy from last year.
The above criteria are unchanged from last year.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) are:

Table 9: Investment Counterparties

Institution	Amount	Time limit	To qualify as a "specified investment"	Non-UK Country	Short term Investment rating	Long Term investment rating
Bank /Building Society	£30m	2yrs	Less than 1 year	AA-	Requires if available Fitch F1 S & P A-1 Moody's P-1	Moody's Aa3 or Fitch AA- if not available.
Bank /Building Society	£20m	1yr	Less than 1 year	AA-	Requires if available Fitch F1 S&P A_1 Moody's P_1w	Moody's A1 or Fitch A1 if not available
Bank/Building Society	£7m	100 days	Less than 1 year	AA-	Either F1 or S&P A_1	Either Moody's A1
Nat West Bank	£20m	1yr	Less than 1 year	AA-	Council bank/part Government owned	A1* for Moodys or Fitch A+
Treasury Bill/DMO	No limit	1yr	Less than 1 year		n/a	UK Gov. rating
Money Market Fund	£20m	Instant access	Less than 1 year		n/a	Either Moody's AAA Fitch AAA or S&P AAA
Local Authority	£20m	1yr	Less than 1 year	AA-	n/a	n/a

Use of additional information other than credit ratings - Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Creditworthiness - Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices - Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being £20m of the total treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of A1 for the UK and AA- for the rest of the world from Fitch or equivalent. The list of countries that qualify using these credit criteria as at the date of this report are shown in Appendix 4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to have peaked at 5.25%.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, are as follows:

Table 10: Investment earnings rates

Average earnings in each year	Now
2023-24 (remainder)	5.3%
2024-25	4.55%
2025-26	3.1%
2026-27	3.0%
2027-28	3.25%
Years 6 to 10	3.25%
Years 10+	3.25%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Table 11: Upper limit for principle sums invested for longer than 365 days

	2024-25 £m	2025-26 £m	2026-27 £m
Principal sums invested for longer than 365 days	£20m	£20m	£20m
Current investments as at 31-01-2024 in excess of 1 year maturing in each year	£0m	£0m	£0m

4.5 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, compounded/ SONIA. The investment average return up to the end of January was 5.28% with average investment balance of £22m.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5. Other considerations

5.1 Environmental, Social & Governance (ESG) Considerations

ESG considerations are becoming an increasingly important topic within the investment community. The 2021 changes to the CIPFA Treasury Management Code sees ESG incorporated into Treasury Management Practice (TMP) 1, with the inclusion of the wording, 'the organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level".

The Council with advice from its treasury advisor, is looking into the impact of including ESG in TMP 1 and must ensure that there is a clear understanding of what "environmental, social and governance (ESG)" investment considerations mean, understanding the ESG "risks" that the Council is exposed to and evaluating how well the Council can manage these risks. Members must note that ESG is not the same as Socially Responsible Investing and not the same as Sustainable Investing (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).

6. Financial and Resources Appraisal

6.1 The financial implications are set out in section 1,2,3 and 4 of this report

7. Risk Management and Governance Issues

7.1 The principal risks associated with treasury management are:

Risk: Loss of investments as a result of failure of counterparties.
Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

Risk: That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).
Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cash flow purposes.

Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.
Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

Risk: Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.
Mitigation: To pause, delay or defer capital schemes. Also review opportunities to borrow in the future at current interest rates.

Risk: Return on non-treasury investments lower than expected.
Mitigation: Review and analysis of risk prior to undertaking non-treasury investments.

Risk: The Council's Minimum Revenue Policy charges an insufficient amount to the Revenue Estimates to repay debt.
Mitigation: Align the Minimum Revenue Policy to the service benefit derived from the Council's assets.

Risk: Associated with cash management, legal requirements and fraud.
Mitigation: These risks are managed through:

- Treasury Management Practices covering all aspects of Treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.
- All Treasury management procedures and transactions are subject to inspection by internal and external auditors. The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

Risk: Anticipated borrowing is lower / higher than expected because the 2024-25 capital programme forecast is incorrect. This is explained in more detail below, together with the actions being taken to reduce these risks:
Mitigation: The Council is required to set a balanced budget for its revenue estimates; so in broad terms, income received will match expenditure over the 2024-25 financial year. The 2024-25 revenue estimates cause only temporary cash flow differences, for example when income is received in a different month to when the expenditure is incurred.

However, the 2024-25 capital budget will cause a cash flow shortfall in the long term, which generates a borrowing requirement. While some of the capital budget is funded immediately, mainly with Government grants, other elements are not funded initially, leading to the cash flow deficit that requires borrowing.

Managing borrowing is part of the Treasury Management role. To help in its management, the Treasury Strategy identifies the element within the capital budget that is not funded straightaway, to anticipate the Council's borrowing requirement.

However, when the capital budget is under / overspent, the Council has a lower / higher borrowing requirement than anticipated. This risk is managed in practice because the Council only borrows when there is an actual cash flow shortage. The uncertainty around spend against the capital budget makes cash flow management more difficult. For example, it is less likely that the Council would take advantage of a short-term fall in interest rates, without more certainty around the timing of any borrowing need. Actions that have taken place to manage the risks relating to this uncertainty in the timing of capital spend are Councillor and Officer challenge sessions on the capital budget; increased scrutiny of the capital forecasts in the quarterly monitoring, and the collection of additional documentation around the critical paths of individual schemes.

<u>Risk: Failure to deliver planned reduction in the Capital Investment Plan or additional capital receipts means a higher-than-expected borrowing requirement</u>
Mitigation: The 2024-25 Budget Report by the Section 151 Officer sets out the actions required by the Council to deliver overall financial sustainability for the Council. This includes a review of the Capital Investment Plan to reduce capital spend funded by borrowing. Delivery of the overall programme will be reviewed as part of improvement and transformation process.

8. Legal Appraisal

8.1 Any relevant legal considerations are set out in the report.

9. Other Implications

9.1 Equality & Diversity – no direct implications
9.2 Sustainability implications – no direct implications
9.3 Green house Gas Emissions Impact – no direct implications
9.4 Community safety implications – no direct implications
9.5 Human Rights Act – no direct implications
9.6 Trade Unions – no direct implications
9.7 Ward Implications – no direct implications
9.8 Implication for Corporate Parenting – no direct implications
9.9 Issues arising from Privacy Impact Assessment– no direct implications

10. Not for publications documents
10.1 None

11. Options
11.1 None

12. Recommendations
12.1 That the report be noted by the Governance and Audit Committee and passed to full Council for adoption.

13. Appendices

Appendix 1 Prudential and Treasury Indicators
Appendix 2 Minimun Revenue Provision (MRP) Policy
Appendix 3 Economic Background
Appendix 4 Approved countries for investments
Appendix 5 Treasury Management scheme of delegation
Appendix 6 Treasury Management role of the Statutory Chief Finance Officer (Director of Finance)

Appendix 1

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2024-25 – 2027-28

To facilitate the decision making process and support capital investment decisions, the Prudential Code requires the Council to approve and monitor a minimum number of prudential indicators. These indicators are mandatory and cover affordability, prudence, capital expenditure, external debt and treasury management.

The indicators are purely for internal use by the Council and are not intended to be used as comparators between councils. In addition to this in-year indication, the benefit from monitoring arises from following the movement in indicators over time and the year-on-year changes.

Capital expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
General Fund	-	216	234	122	60	104
HRA*	-	3	15	10	8	-
Total	**154**	**219**	**249**	**132**	**68**	**104**
Capitalisation direction (EFS)	-	80.0	140	106	88	52
TOTAL CAPITAL SPEND	**154**	**299**	**389**	**238**	**156**	**156**

*Separate HRA applies from 01-04-2023

Estimates of Capital Financing Requirement

	2022-23 Actual £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Opening Capital Financing Requirement	**712**	**769**	**937**	**1,138**	**1,239**	**1,291**
Increase in borrowing	77	189	226	133	89	75
Less MRP and other financing movements	-20	-21	-25	-32	-37	-40
Closing Capital Financing Requirement	**769**	**937**	**1,138**	**1,239**	**1,291**	**1,326**

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs), against the net revenue stream.

General Fund	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
MRP, excluding PFI**	17.8	22.4	25.1	27.0	27.3
MRP PFI, finance lease	3.3	3.3	3.4	3.4	3.5
Old West Yorkshire Waste debt	0.1	0.1	0.1	0.1	0.1
Interest on external borrowing	22.4	28.4	28.7	28.8	28.6
Interest on PFI	15.3	14.6	14.0	13.2	12.4
Premium on debt repayment	0.3	0.3	0.3	0.3	0.3
Capitalisation Direction (MRP / Interest) *	-	3.7	12.7	19.3	23.9
Total Capital Financing Costs	**59.2**	**72.8**	**84.3**	**92.1**	**96.1**
Projected Net Revenue Stream	453	435	459	492	513
Ratio to Net Revenue Stream	**13.1%**	**16.8%**	**18.4%**	**18.7%**	**18.7%**

*2024-25 onwards - Year of EFS includes half year interest, years afterwards include MRP and interest over a 20-year timeframe
**2024-25 onwards includes MRP on 2023-24 £80m EFS

HRA	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m
Total Capital Financing Costs	1.1	1.1	1.1	1.1	1.1
HRA Rental Income	2.7	2.9	3.0	3.1	3.2
Ratio to Net Revenue Stream	**41.7%**	**38.8%**	**37.5%**	**36.3%**	**35.2%**

Prudence indicators

- Gross debt and the capital financing requirement

The Prudential Code requires the calculation of the capital financing requirement (CFR). This figure represents the Council's underlying need to borrow for a capital purpose and the change year-on-year will be influenced by the capital expenditure in the year.

In order to ensure that over the medium-term gross debt will only be for capital purposes, the Council must ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In cases where the CFR is reducing over the period, the Code allows the CFR at its highest point to be used in this calculation.

The Council had no difficulty meeting the previous calculation in 2023-24, nor are any difficulties envisaged for the current or future years. This view considers current commitments, existing plans, and the proposals in this budget report and is shown in the table over.

	31/03/23 Actual £m	31/03/24 Estimate £m	31/03/25 Estimate £m	31/03/26 Estimate £m	31/03/27 Estimate £m	31/03/28 Estimate £m
Capital Financing Requirement	**769**	**937**	**1,138**	**1,239**	**1,291**	**1,326**
General Fund - Private Finance Initiative	-139	-130	-121	-111	-101	-90
External Borrowing	**-465**	**-668**	**-885**	**-995**	**-1,115**	**-1,137**
Under-borrowing	165	139	132	133	75	99

External debt indicators
Operational boundary

	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Total	860	1,140	1,250	1,300	1,330

Authorised limit

	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m
Total	880	1,160	1,270	1,320	1,350

Actual external debt as at 31st March - this will be reported within the outturn report on treasury management.

Maturity structure of borrowing

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2024-25		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	50%
5 years to 10 years	0%	50%
10 years to 20 years	0%	90%
20 years to 30 years	20%	90%
30 years to 40 years	20%	90%
40 years to 50 years	20%	90%

Maturity structure of variable interest rate borrowing 2024-25		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years and over	0%	20%

Upper limit for principle sums invested

Total principal sums invested for periods longer than 365 days – if the Council invests or plans to invest for longer than 365 days it must set an upper limit for each financial year for the maturing of such investments.

£m	2024-25 £m	2025-26 £m	2026-27 £m
Principal sums invested for longer than 365 days	£20m	£20m	£20m

Control of interest rate exposure

Members are advised that indicators for interest rate exposure are no longer a requirement under the new Treasury Management Code. However, as interest rate exposure risk is an important issue, officers will continue to monitor the balance between fixed and variable interest rates for borrowing and investments. This will aim to ensure the Council is not exposed to adverse fluctuations in fixed or variable rate interest rate movements.

This is likely to reflect higher fixed interest rate borrowing if the borrowing need is high or fixed interest rates are likely to increase, or a higher variable rate exposure if fixed interest rates are expected to fall. Conversely if shorter term interest rates are likely to fall, investments may be fixed earlier, or kept shorter if short term investments are expected to rise.

The balance between variable rate debt and variable rate investments will be monitored as part of the overall treasury function in the context of the overall financial instruments structure and any under or over borrowing positions.

Appendix 2 Minimum Revenue Provision Policy 2024-25

1.1 The Local Government Act 2003 requires the Council to make a provision for the repayment of borrowing used to finance its capital expenditure, known as the Minimum Revenue Provision (MRP).

1.2 The MRP is the amount of principal capital repayment that is set aside each year in order to repay the Capital Financing Requirement (CFR) based on the requirement of statutory regulation and the Council's own accounting policies.

1.3 DLUHC regulations require full Council to approve an MRP statement in advance of each year. The Policy may be revised during the year by full Council, or the appropriate body of Members where required.

1.4 The regulations allow the Council to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review to ensure that the annual provision is prudent.

1.5 The method for calculating the MRP on each category of debt is outlined below:

a) For supported borrowing MRP will be calculated using an Asset Life annuity basis on the annuity asset life method over the remaining 36 years. This is more prudent than other available methods.

b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. From 1 April 2022 the MRP is calculated on the annuity basis.

c) Since 2009-10 the appropriate financing costs for the Council's Building Schools for the Future (BSF) Private Finance Initiative (PFI) schemes have been included in MRP calculations. In 2018-19 the MRP policy for PFI assets was brought into line with the main MRP Policy and the charge of the principal to the revenue account is now over the life of the school building assets. As per the main borrowing from the 1 April 2022 this is on an annuity asset life basis.

d) Finance lease MRP is equal to the principal repayment.

e) The Council will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

f) There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

g) Asset lives are reviewed on an ongoing basis to match the MRP charge to the Revenue Estimates with the service benefit derived from the asset. The Council reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

h) MRP will generally commence in the financial year following the one in which the expenditure was incurred. However, for long life assets, the authority will postpone the commencement of MRP until the financial year following the one in which the asset becomes operational.

i) MRP overpayments – DLUHC MRP Guidance makes allowance for any charges made over the statutory MRP, VRP or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. For these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. There are no plans for VRP to be made in 2024-25. However, VRP will be kept under review, and should it be deemed prudent to make any VRP this will be the decision of the S.151 Officer and reported to Executive and Governance & Audit Committee at the next available opportunity.

j) Where capital expenditure involves repayable loans to third parties no MRP is charged where the principal element of the loan is being repaid in annual instalments. The capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP. Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

Appendix 3 Economic Background (provided by Link Group)

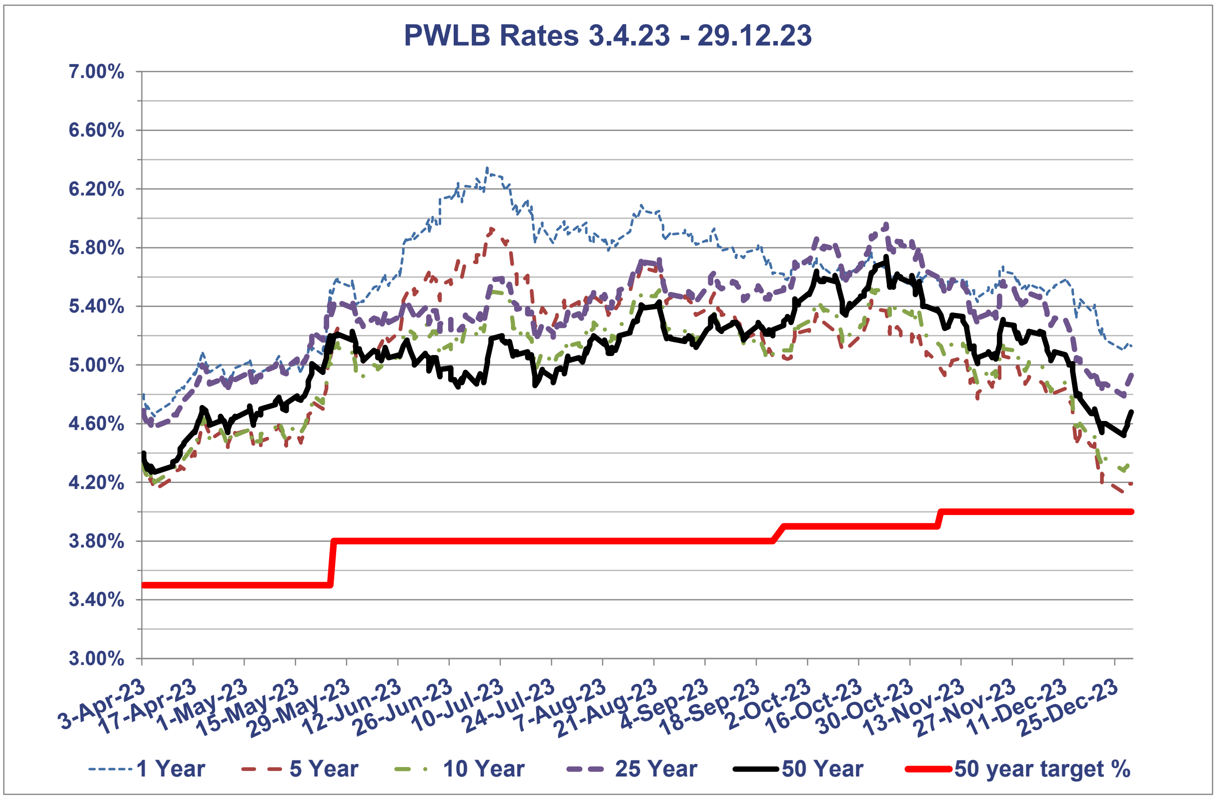
- The third quarter of 2023-24 saw:
  - A 0.3% month on month decline in real GDP in October, potentially partly due to unseasonably wet weather, but also due to the ongoing drag from higher interest rates. Growth for the second quarter, ending 30th September, was revised downwards to -0.1% and growth on an annual basis was also revised downwards, to 0.3%;
  - A sharp fall in wage growth, with the headline 3myy rate declining from 8.0% in September to 7.2% in October, although the Office of National Stats "experimental" rate of unemployment has remained low at 4.2%;
  - CPI inflation continuing on its downward trajectory, from 8.7% in April to 4.6% in October, then again to 3.9% in November;
  - Core CPI inflation decreasing from April and May's 31 years' high of 7.1% to 5.1% in November, the lowest rate since January 2022;
  - The Bank of England holding Bank Rate at 5.25% in November and December;
  - A steady fall in 10-year gilt yields as investors revised their interest rate expectations lower.
- The revision of GDP data in Q2 to a 0.1% quarter on quarter fall may mean the mildest of mild recessions has begun. Indeed, real GDP in October fell 0.3% month on month which does suggest that the economy may stagnate again in Q3. The weakness in October may partly be due to the unseasonably wet weather. That said, as the weakness was broad based it may also be the case that the ongoing drag from higher interest rates is more than offsetting any boost from the rise in real wages.
- However, the rise in the flash composite activity Purchasing Managers Index, from 50.7 in November to 51.7 in December, did increase the chances of the economy avoiding a contraction in Q3. The improvement was entirely driven by the increase in the services activity balance from 50.9 to 52.7. (Scores above 50 point to expansion in the economy, although only tepid in this instance.) The press release noted that this was primarily driven by a revival in consumer demand in the technological and financial services sectors. This chimes with the further improvement in the GfK measure of consumer confidence in December, from -24 to -22. The services PMI is now consistent with non-retail services output growing by 0.5% quarter on quarter in Q3, but this is in stark contrast to the manufacturing sector where the output balance slumped from 49.2 to 45.9 and, at face value, the output balance is consistent with a 1.5% quarter on quarter fall in manufacturing output in Q3.
- The 0.3% month on month fall in retail sales volumes in October means that after contracting by 1.0% quarter on quarter (which was downwardly revised from -0.8% q/q) in Q2, retail activity remained weak at the start of Q3. That suggests higher interest rates are taking a bigger toll on real consumer spending.
- Higher interest rates have filtered through the financial channels and weakened the housing market but, overall, it remains surprisingly resilient with the Halifax house price index recently pointing to a 1.7% year on year increase whilst Nationwide's December data pointed to a -1.8% year on year decrease. However, the full weakness in real consumer spending and real business investment has yet to come as currently it is estimated that around two thirds to a half of the impact of higher interest rates on household interest payments has yet to be felt.

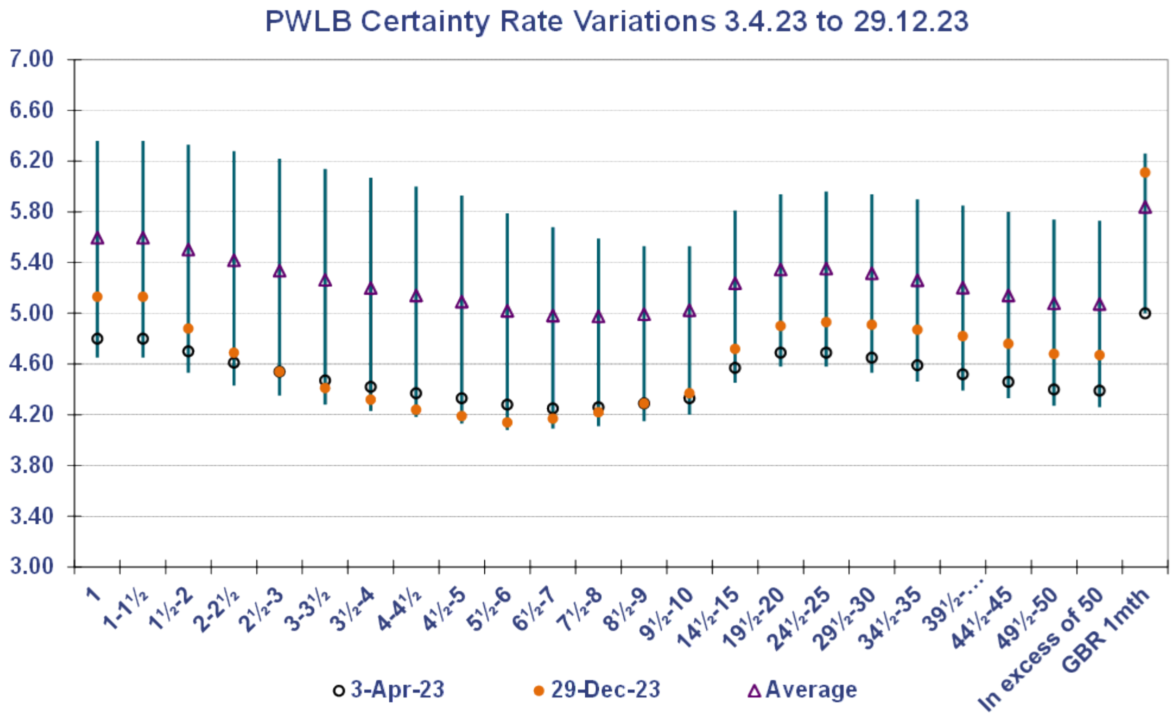
- Overall, we expect real GDP growth to remain subdued throughout 2024 as the drag from higher interest rates is protracted but a fading of the cost-of-living crisis and interest rate cuts in the second half of 2024 will support a recovery in GDP growth in 2025.
- The labour market remains tight by historical standards, but the sharp fall in wage growth seen in October will reinforce the growing belief in markets that interest rates will be cut mid-2024. Wage growth eased in October much faster than the consensus expected. Total earnings fell by 1.6% month on month, which meant the headline 3 month year on year rate eased from 8.0% in September to 7.2% in October. This news will be welcomed by the Bank of England. Indeed, the timelier three-month annualised rate of average earnings growth fell from +2.4% to -1.2%. Excluding bonuses, it fell from 5.3% to 2.0%. Furthermore, one of the Bank's key barometers of inflation persistence, regular private sector pay growth, dropped from 7.9% 3myy to 7.3%, which leaves it comfortably on track to fall to 7.2% by December, as predicted by the Bank in November.
- The fall in wage growth occurred despite labour demand being stronger in October than expected. The three-month change in employment eased only a touch from +52,000 in September to +50,000 in October. But resilient labour demand was offset by a further 63,000 rise in the supply of workers in the three months to October. That meant labour supply exceeded its pre-pandemic level for the first time, and the unemployment rate remained at 4.2% in October. In the three months to November, the number of job vacancies fell for the 17th month in a row, from around 959,000 in October to around 949,000. That has reduced the vacancy to unemployment ratio as demand for labour eases relative to supply, which may support a further easing in wage growth in the coming months.
- CPI inflation fell from 6.7% in September to 4.6% in October, and then again to 3.9% in November. Both these falls were bigger than expected and there are clear signs of easing in domestic inflationary pressures. The fall in core CPI inflation from 5.7% to 5.1% in November was bigger than expected (consensus forecast 5.6%). That's the lowest rate since January 2022. Some of the decline in core inflation was due to the global influence of core goods inflation, which slowed from 4.3% to 3.3%. But some of it was due to services inflation falling from 6.6% to 6.3%. The Bank views the latter as a key barometer of the persistence of inflation and it came in further below the Bank's forecast of 6.9% in its November Monetary Policy Report. This will give the Bank more confidence that services inflation is now on a firmly downward path.
- The Bank of England sprung no surprises with its December monetary policy committee (MPC) meeting, leaving interest rates at 5.25% for the third time in a row and pushing back against the prospect of near-term interest rate cuts. The Bank continued to sound positive on higher rates, with the MPC maintaining its higher rate bias saying that "further tightening in monetary policy would be required if there were evidence of more persistent inflationary pressures". And it stuck to the familiar script, saying that policy will be "sufficiently restrictive for sufficiently long" and that "monetary policy is likely to need to be restrictive for an extended period of time". In other words, the message is that the MPC is not yet willing to endorse market expectations that rates will be cut as soon as May 2024.
- Looking ahead, our colleagues at Capital Economics forecast that the recent downward trends in CPI and core inflation will stall over the next few months before starting to decline more decisively again in February. That explains why we think the Bank of England won't feel comfortable cutting interest rates until H2 2024.

- The fall in UK market interest rate expectations in December has driven most of the decline in 10-year gilt yields, which have fallen in line with 10-year US Treasury and euro-zone yields. 10-year gilt yields have fallen from 4.68% in October 2023 to around 3.70% in early January, with further declines likely if the falling inflation story is maintained.
- At the time of writing (Feb 24) yields are back to the November 23 levels of around 4.20%.
- The further fall in 10-year real gilt yields in December has supported the recent rise in the FTSE 100. That said, the index remains 5% below its record high in February 2023. This modest rise in equities appears to have been mostly driven by strong performances in the industrials and rate-sensitive technology sectors. But UK equities have continued to underperform US and euro-zone equities. The FTSE 100 has risen by 2.2% in December, while the S&P 500 has risen by 3.8%. This is partly due to lower energy prices, which have been a relatively bigger drag on the FTSE 100, due to the index's high concentration of energy companies.

In the chart below, the rise in gilt yields across the curve in the first half of 2023-24, and therein PWLB rates, is clear to see, prior to the end of year rally based on a mix of supportive domestic and international factors.

PWLB RATES 3.4.23 - 29.12.23





HIGH/LOW/AVERAGE PWLB RATES FOR 3.4.23 – 29.12.23

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.13%	4.20%	4.58%	4.27%
Date	06/04/2023	27/12/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.53%	5.96%	5.74%
Date	06/07/2023	07/07/2023	23/10/2023	23/10/2023	23/10/2023
Average	5.60%	5.09%	5.03%	5.35%	5.08%
Spread	1.71%	1.80%	1.33%	1.38%	1.47%

MPC meetings 2nd November and 14th December 2023

- On 2nd November, the Bank of England's Monetary Policy Committee (MPC) voted to keep Bank Rate on hold at 5.25%, and on 14th December reiterated that view. Both meetings reflected a split vote, the latter by 6 votes to 3, with the minority grouping voting for an increase of 0.25% as concerns about "sticky" inflation remained in place.
- Nonetheless, with UK CPI inflation now at 3.9%, and core inflating beginning to moderate (5.1%), markets are voicing a view that rate cuts should begin in Q1 2024/25, some way ahead of the indications from MPC members. Of course, the data will be the ultimate determinant, so upcoming publications of employment, wages and inflation numbers will be of particular importance, and on-going volatility in Bank Rate expectations and the gilt yield curve can be expected.
- In addition, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has kept short-term rates in the range of 5.25%-5.50%, whilst the ECB has moved its Deposit rate to a probable peak of 4%. Markets currently expect both central banks to start cutting rates in 2024.

Appendix 4

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P) and also, (except - at the time of writing - for Hong Kong and Luxembourg), have banks operating in sterling markets which have credit ratings of green or above in the Link creditworthiness service.

Based on lowest available rating

AAA
- Australia
- Denmark
- Germany
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+
- Canada
- Finland
- U.S.A.

AA
- Abu Dhabi (UAE)

AA-
- Belgium
- France
- Qatar
- **U.K.**

Appendix 5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Governance and Audit Committee

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Corporate Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix 6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management). These include:

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources.
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

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City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director West Yorkshire Pension Fund to the meeting of Governance & Audit Committee to be held on 21 March 2024

AL

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Investment Advisory Panel held on 25 January 2024.

Summary statement:

The Council's Financial Regulations require the minutes of meeting of the WYPF Investment Advisory Panel to be submitted to this committee.

Euan Miller
Managing Director
Report Contact: Euan Miller
Phone: (01274) 434517
E-mail: euan.mller@bradford.gov.uk

Portfolio:
Leader
Overview & Scrutiny Area:
Corporate

1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of the WYPF Investment Advisory Panel to be submitted to this committee.

2. NOT FOR PUBLICATION DOCUMENTS

- Minutes of the Investment Advisory Panel 25 January 2024

3. APPENDICES

- NFP Minutes of the Investment Advisory Panel 25 January 2024

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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