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City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 28 September 2017 at 10.00 am in Committee Room 3 - City Hall, Bradford

Members of the Committee – Councillors

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT AND INDEPENDENT
M Pollard	Johnson Thornton Swallow	Reid

Alternates:

CONSERVATIVE	LABOUR	LIBERAL DEMOCRAT AND INDEPENDENT
Ellis	Farley Watson	J Sunderland

Notes:

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- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From: **To:**

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

A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

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

2. DISCLOSURES OF INTEREST

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

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

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

Notes:

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

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

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

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

3. MINUTES

Recommended –

That the minutes of the meeting held on 27 June 2017 be signed as a correct record (previously circulated).

(Fatima Butt – 01274 432227)

4. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

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

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

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

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

(Fatima Butt - 01274 432227)

B. BUSINESS ITEMS

5. LOCAL GOVERNMENT ASSOCIATION CORPORATE PEER CHALLENGE REVIEW FINDINGS AND IMPROVEMENT ACTION PLAN 2017

Bradford Council invited the Local Government Association (LGA) to undertake an independent Corporate Peer Challenge review, which took place in March 2017. The Assistant Director, Office of the Chief Executive will submit **Document "H"** which details the areas the review looked at, its findings and the Council's response in the form of an Improvement Action Plan.

Recommended-

That the Corporate Overview and Scrutiny Committee receive periodic progress reports against the Improvement Action Plan.

(David Greenwood – 01274 431341)

6. EXCLUSION OF THE PUBLIC

The Committee is asked to consider if the item relating to the minutes of the meeting of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 27 April 2017 should be considered in the absence of the public and, if so, to approve the following recommendation:

Recommended –

That the public be excluded from the meeting during the consideration of the items relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 27 April 2017 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.

7. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 27 APRIL 2017

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 "I"** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 27 April 2017.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 27 April 2017 be considered.

(Rodney Barton – 01274 432317)

8. WEST YORKSHIRE PENSION FUND REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

The Director of West Yorkshire Pension Fund will submit **Document "J"** which provides the West Yorkshire Pension Fund's financial position for the year ended 31 March 2017. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

Recommended-

That the 2016/17 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee.

(Ola Ajala – 01274 434534)

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

9. AUDIT COMPLETION REPORT 2016/17 - AUDIT OF WEST YORKSHIRE PENSION FUND

The External Auditor will present the Audit Completion Report for the West Yorkshire Pension Fund **(Document "K")** which summarises the findings from the 2016/17 audit.

Recommended-.

That the Committee:

- **consider the unadjusted misstatements schedule (Appendix A); and**
- **approve the letter of requested representations (Appendix B) including the reasons for not amending the unadjusted misstatement.**

(Steve Appleton - (01274) 432392)

10. AUDIT COMPLETION REPORT 2016/17 - AUDIT OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

The External Auditor will present the Audit Completion Report **(Document "L")** which summarises the findings from the audit of City of Bradford Metropolitan District Council's 2016/17 financial statements.

Recommended-

That the Committee:

- **consider the unadjusted misstatements schedule (Appendix A); and**
- **approve the letter of requested representations (Appendix B) including the reasons for not amending the unadjusted misstatements.**

(Steve Appleton (01274) 432392)

11. STATEMENT OF ACCOUNTS 2016-17

The 2016/17 Statement of Accounts (SOA) have been externally audited and are now presented to Governance and Audit Committee for approval. The External Auditor (Mazars) has reported their findings in two separate Audit Completion Reports, one for the Council and another for the West Yorkshire Pension Fund. Members are asked to consider these before approving the SOA.

The Strategic Director, Corporate Services will submit **Document "M"** which provides an overview of the 2016/17 Statement of Accounts and includes a response to the Council's Audit Completion Report.

Recommended-

That the 2016/17 Statement of Accounts be approved and signed by the Chair of the Committee.

(James Hopwood – 01274 432882)

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

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Assistant Director Office of the Chief Executive to the meeting of the Governance and Audit Committee to be held on 28th September 2017.

H

Subject:

Local Government Association Corporate Peer Challenge review findings and Improvement Action Plan 2017

Summary statement:

Bradford Council invited the Local Government Association (LGA) to undertake an independent Corporate Peer Challenge review, which took place in March 2017. This report details the areas the review looked at, its findings and the Council's response in the form of an Improvement Action Plan.

Alison Milner
Assistant Director OCX

Report Contact: David Greenwood
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Portfolio: Corporate

Overview & Scrutiny Area: Corporate

1. SUMMARY

Bradford Council invited the Local Government Association (LGA) to undertake an independent Corporate Peer Challenge review, which took place in March 2017. This report details the areas the review looked at, its findings and the Council's response in the form of an Improvement Action Plan (IAP).

2. BACKGROUND

2.1 The Corporate Peer Challenge Review

2.1.1 At the request of the Leader and Chief Executive of the Council, an LGA team conducted a Corporate Peer Challenge review of Bradford Council during the period 27- 30 March 2017.

2.1.2 The LGA team was comprised of six local government professionals led by the Chief Executive of Wigan Council and the Leader of Newcastle City Council.

2.1.3 A Corporate Peer Challenge review is designed to complement and add value to a council's own performance and improvement, it is not an inspection. Corporate Peer Challenge reviews have taken place in many councils and are an established method to help determine the "health and awareness" of a council, identifying areas in which it needs to improve.

2.14 Corporate Peer Challenge reviews look at five areas:

1. Understanding of the local place and priority setting:
    - Does the council understand its local context and place and use this to inform a clear vision and set of priorities?
2. Leadership of place:
    - Does the council provide effective leadership of place through its councillors, officers and constructive relationships and partnerships with external stakeholders?
3. Organisational leadership and governance:
    - Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
4. Financial planning and viability:
    - Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
5. Capacity to deliver:
    - Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

2.1.5 The Council asked the LGA Corporate Peer Challenge review team to focus on social inclusion and opportunities for young people in skills, education and employment, reflecting Bradford being the youngest city in the country, while reviewing the above five areas.

2.1.6 The review team spoke to over 260 people including council staff, councillors, partners, stakeholders and young people. They gathered information and views from over 60 meetings and collectively spent more than 230 hours to determine their findings.

2.1.7 The full report has been on the Council website since June when it was received from the LGA and is attached as **Appendix 1**

2.2 The Corporate Peer Challenge Review findings

2.2.1 Headlines

The Council "recognises it is on a journey of change" from being a provider of services to "being a facilitator and co-ordinator of all of the local resources around a set of shared priorities".

"The Council is ambitious, self-aware and an improving organisation with huge potential, well positioned to benefit from the ambitious goals and programmes set out in the District and Council Plans and increasingly influential within the West Yorkshire Combined Authority."

There is "effective ward and neighbourhood leadership by councillors, officers, partner organisations and active and committed community leaders and voluntary sector."

"Exceptionally strong partnership relationships are already established, in particular between the Council and the Police" and "there are excellent examples of partnership working improving people's lives."

"There is clear recognition of the financial challenges and increasing demand on services faced by local government and its impact, alongside an ambitious approach" to align resources to the priority outcomes in the Council Plan through the budget process.

"The emerging narrative of place needs to more fully reflect the many places that make up the District, alongside clarity around the District's role and investment requirements in delivering the City Region Strategic Economic Plan."

"The £5m Transformation Fund should be reviewed to ensure sufficient resources are allocated" to enable the Council to drive change and make the necessary savings.

Consideration needs to be given on "how to consistently engage on issues with young people" and greater use should be made of apprenticeships.

Communications need to focus on engaging residents through ‘People Can’ and “positioning Bradford regionally and nationally.”

The historic civic crest should be used as the Council brand/ logo as it reflects the city and different towns which make up Bradford District.

2.2.2 **Review findings under the five areas, in summary**

1. Understanding of the local place and priority setting

The review team reported “Bradford Council“ has a sophisticated understanding of its communities” and said they had “heard many examples of excellent work in promoting community cohesion.”

“There is a recognition that leadership of place isn’t only the responsibility of the Leader of the Council and the Chief Executive, but that everyone in the organisation can play a role.” However, the review team felt that “the workforce is considered an underdeveloped asset in telling a more positive story of Bradford District.”

“The Council Plan is clear and coherent and is becoming increasingly embedded” with “many staff aware of the priorities and their role in achieving them.” The review team also saw a “growing sense of optimism that the Council and the place is improving, with recognition that young people are the City’s greatest asset.”

“It is clear that there is strong community, faith, business and voluntary sector leadership” and “a clear alignment between business and political priorities with transport and education seen as key drivers of economic growth.”

“Although there is strong leadership in supporting this vision, turning the vision into a compelling, forward looking narrative for Bradford District will need to be the next stage of the journey.” “This stronger narrative will help partners better understand the Council’s priorities more clearly and enable the Council to focus its resources on partnerships and relationships that are most important in achieving this vision.”

2. Leadership of Place

The review team stated “the Council Leader and Chief Executive are universally recognised as providing strong, clear and complementary leadership” and there is “proactive engagement with other councils and partners across the region.”

The commitment to working within regional and national partnerships, including the West Yorkshire Combined Authority (WYCA) and Key Cities network “was making Bradford increasingly influential.”

The review team found “strong and excellent partnership arrangements with the Police and Voluntary Sector, with active and committed community leadership with organisations who want to work collaboratively with the Council.”

While the engagement between the Council and its partners was seen as positive, there was an acknowledgement that more could be done to streamline and strengthen partnership working with health organisations.

The review team said: “Councillors in Bradford are passionate, committed and fully engaged in the work of the Council, being visible in their local communities and there is good ward and neighbourhood leadership” undertaken by the Council.

The Council’s ‘People Can’ approach to involve citizens in their neighbourhoods and communities through volunteering and other activities was recognised as “powerful” and having “huge potential” to “empower people and communities to do more for themselves.” The review team felt this ‘People Can’ approach should be rolled out across Council departments and partner organisations to show a unified way of working for the benefit of Bradford District.

3. Organisational leadership and governance

The review team said they “saw evidence of a strong and well regarded political and managerial leadership, observed through constructive councillor and officer working relationships at all levels across the Council.”

The review found that “the corporate governance framework works well, with mutual respect and understanding between councillors and officers” with “no adverse indicators” relating to how the Council’s decision making works. Scrutiny Committees were found to be “effectively holding the Executive to account”, although the review team recommended developing a role for Scrutiny in policy making, as well as scrutinising the Council’s decisions.

The review team suggested that “plans and strategies should be reviewed to make sure they are aligned to the Council Plan” which will help in “difficult decisions” about which services and activities the Council will have to stop doing.

Staff met through the review were considered “loyal, committed and highly motivated to deliver good quality services”. There is a “supportive environment evident, with a can do attitude” underpinned with a “developing organisational culture with staff at all levels starting to reflect the Council’s behaviours and values.”

The review team “saw good examples of the Future Leaders programme and the Innovation Hub facilitating a growing sense of empowerment amongst staff” but pointed out that “the changing nature of local government and the increasing focus on commercialism will require different skills and competencies going forward. They suggested the apprenticeship programme should be reviewed to “bring new ideas into the Council” and “make it more representative of the communities it serves.”

4. Financial planning and viability

The review team said “the scale of the future financial challenge” faced by local authorities “is understood by Bradford Council who acknowledges that business as usual isn’t an option.”

Outcomes Based Budgeting, where resources are aligned to agreed priorities in the Council Plan, “has been introduced as a model for ensuring effective and efficient use of resources and is seen as a significant step towards closing the revenue funding gap.”

The review team found the Council “has managed sensitively” big reductions in its resources - £231 million has been saved since 2011 with a further £32 million to find in 2017-2019. “The Audit Statement confirms the Council has a strong track record of delivering savings and generally keeping within budget though there are significant financial pressures within adult’s and children’s services.

Concerns were expressed about potential over-reliance on the use of compensatory savings when planned savings aren’t delivered and about some instances where opportunities for earlier interventions were not being taken to minimise long term financial risks.

The review team also felt the level of transformation funding was too low to address the significant changes the Council faces.

5. Capacity to deliver and resources

The review report states “staff enjoy working for the Council and feel their contribution is highly valued”. “Overall staff said that change is generally managed well” and they recognise “the role of the Council needs to change going forward.”

The review found “many good examples of the Council working well in partnership to deliver improved outcomes for residents,” in areas such as: school improvement, neighbourhood work, hospital discharges, child sexual exploitation and community cohesion.

The Workforce Development Programme was seen by the review team as pivotal to ensuring change and embedding behaviours and values and it felt the work on this should be accelerated.

The review did not see an overarching approach to programme management and suggested improved arrangements are put in place to ensure linkages, sequencing and inter-dependencies between projects are made clear.

The review also stated that the Council “needs to adopt a consistent approach to digital transformation” and data should be used more to inform decision making, as well as for tracking performance.

It was recommended opportunities should be explored for: further co-located working based on the effective work currently seen in the Multi Agency Safeguarding Hub, shared service arrangements across neighbouring local authorities “where a business case stacks up” and enhanced integrated commissioning of services.

2.3 The Corporate Peer Challenge Review recommendations

The Review made 8 key recommendations:

1. Develop a coherent narrative of place and your ambitions.

2. Use the narrative to place shape more effectively with partners.

3. Use the ‘People Can’ approach in a more systematic manner.

4. Make best use of newly appointed Strategic Director roles.

5. More robust financial accountability and allocation of resources within the Medium Term Financial Strategy.

6. Accelerate a Team Bradford approach to using Apprenticeships.

7. Review Re-deployment Policy.

8. Pick one brand for the Council.

2.4 The Improvement Action Plan

2.4.1 To ensure the recommendations are acted upon, integrated into and monitored through the current Council Plan Delivery programme, the recommendations were presented to the Outcome Delivery Boards, which are responsible for the outcomes in the Council Plan.

2.4.2 The Outcome Delivery Boards checked the relevance of the review recommendations against their remit, proposed actions to help progress the recommendations, and identified a lead officer responsible for delivery and Portfolio Holder for governance and assurance purposes.

2.4.3 The Outcome Delivery Boards are integrating the recommendations and actions from the Corporate Peer Challenge review Improvement Action Plan into their own milestone plans, to ensure regular checking of progress on implementation.

2.4.4 The Improvement Action Plan **(Appendix 2)** shows the key recommendations along with the outcome to be achieved, actions and timescales for delivery.

2.5 Review follow-up

2.5.1 The LGA Corporate Peer Challenge review process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and to demonstrate the progress it has made against the areas for improvement and developments identified by the review team.

2.5.2 The follow up visit is a lighter touch version of the original visit and does not always necessarily involve all members of the original peer team. The timing of the visit is determined by the Council, but it is typical a follow up review will take place two years after the review i.e. March 2019.

3. OTHER CONSIDERATIONS

3.1 The Executive received the Corporate Peer Challenge review report and the Improvement Action Plan on 12th September. The Corporate Overview and Scrutiny

Committee is also receiving the Corporate Peer Challenge review report and the Improvement Action Plan on 28 September.

3.2 The Governance and Audit Committee is asked to consider the control environment and governance arrangements put in place to ensure the effective delivery and monitoring of the Improvement Action Plan.

4. FINANCIAL & RESOURCE APPRAISAL

The delivery of the Corporate Peer Challenge review Improvement Action Plan will be met from within current resources. Responding to the review and implementing its recommendations are key elements in the work of each Outcome Board which ensure the Council Plan is delivered.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

Governance arrangements to ensure the delivery of the Corporate Peer Challenge review Improvement Action Plan will be managed within the programme and project management arrangements of the Council Plan Outcome Delivery Boards.

6. LEGAL APPRAISAL

No comments from the legal appraisal.

7. OTHER IMPLICATIONS

None.

7.1 EQUALITY & DIVERSITY

None directly. Equalities Impact Assessments will be considered as necessary.

7.2 SUSTAINABILITY IMPLICATIONS

None.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

7.4 COMMUNITY SAFETY IMPLICATIONS

None.

7.5 HUMAN RIGHTS ACT

No Human Rights Act implications.

7.6 TRADE UNION

If changes are made to Council policy as a result of this action plan, Trade Unions will be consulted as appropriate.

7.7 WARD IMPLICATIONS

None directly.

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

Not applicable.

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. OPTIONS

1. The Governance and Audit Committee is asked to note the report and the actions put in place to monitor the Improvement Action Plan.

10. RECOMMENDATIONS

1. That the Corporate Overview and Scrutiny Committee receive periodic progress reports against the Improvement Action Plan.

11. APPENDICES

- Appendix 1: Corporate Peer Challenge. City of Bradford Metropolitan District Council. 27th to 30th March 2017. Feedback Report.

- Appendix 2: Corporate Peer Challenge Improvement Action Plan 2017.

12. BACKGROUND DOCUMENTS

None.

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Corporate Peer Challenge

City of Bradford Metropolitan District Council

27th to 30th March 2017

Feedback Report

1. Executive Summary

Bradford is a great city with multiple and diverse communities, major cultural, heritage and historical assets, a good quality of life and some exciting new emerging economic sectors. The Council recognises that as the leader of place and as a provider of many public services it is on a journey of change – from providing an in-house 'one size fits all' solution to being a facilitator and co-ordinator of all of the local resources around a set of shared priorities.

Most people we spoke to recognise that the council has started along this journey but that the pace of change needs to be maintained with consistency, and occasionally accelerated, in order for people to continue to be motivated to participate. The Council is ambitious, self-aware and an improving organisation with huge potential. The City is positioned well to benefit from the ambitious goals and programmes set out in the Bradford District Plan and the Council Plan and is increasingly influential within the West Yorkshire Combined Authority.

There is growing confidence and optimism in the council and the place that the City is "on the up" with a clear alignment between business and political priorities, with transport and education as the drivers for unlocking potential and growth. We found a strongly articulated approach to community cohesion across the whole City and widespread recognition that, as the youngest city in the country, young people are their biggest asset.

We evidenced strong, connected and highly regarded political and managerial leadership of both the place and the council. The Council Leader and Chief Executive are seen as visible, energetic, inspiring symbols of the improvement journey the council is on. We found effective ward and neighbourhood leadership by elected members, officers and partner organisations and active and committed community leaders and voluntary sector who value the council's community leadership role. However, ensure that the policy development role for scrutiny adds value to the council.

Exceptionally strong partnership relationships are already established; in particular between the council and the police. We also found excellent examples of partnership working in improving peoples' lives, for example hospital discharge, neighbourhood work and child sexual exploitation. The recent Joint Targeted Area Inspection (JTAI) by multiple inspectorates cited strong endorsement of multi-agency safeguarding and prevention services.

There is a clear recognition of the financial challenges and increasing demand on services faced by local government and its impact alongside an ambitious approach to re-aligning priorities through a budget shaped by outcomes. The Council has recognised the need and significant activity required to generate income for the future to fund council services.

Staff are loyal, passionate and hardworking and feel valued and trusted to deliver at all levels but resilience needs to be carefully monitored going forward. There is

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Chief Executive: Mark Lloyd

a growing feeling of permission and empowerment underpinned by effective examples of investing in the future via the Future Leaders programme and the Innovation Hub. Change is embraced with good examples of service improvement, such as the school improvement service through deploying a different model. The ‘People Can’ approach is already demonstrating impact and has enormous future potential.

The emerging narrative of place needs to more fully reflect the many places that make up the City alongside clarity around the City’s role and investment requirements in delivering the Leeds City Region Strategic Economic Plan. Develop a set of simple, clear and consistent messages to challenge those not yet on board with the re-defining of the City and ‘People Can’ could be the ideal vehicle to unify the vision for the place – it could also be used to develop a council wide demand management plan for Adults and Children’s services. Also use staff as ambassadors of the place as the majority live in the area.

There is an opportunity to strengthen corporate oversight with more robust accountability through the newly established role of the Strategic Director of Corporate Services. You also need to ensure that the newly appointed Strategic Director for Health and Well-Being is adequately supported in order to meet future financial and service challenges. Health engagement could be further streamlined and refined to develop stronger partnerships at all levels.

General fund balances are low and there is a potential over reliance on one off compensatory savings when projects do not deliver targeted savings. The Outcomes Based Budgeting (OBB) approach is emerging and the council should be mindful of relying too heavily on this to deliver savings targets which are not linked back to the budget monitoring regime. The transformation fund at £5m appears relatively low given future savings targets and should be reviewed to ensure sufficient resources are allocated. It would also be helpful to establish a more aggressive and structured approach to commercialism to include an income generation strategy.

The ‘Big Project’ Workforce Development Programme for changing organisational behaviours and culture is inspiring, but it should be fast-tracked and correctly resourced to be completed ideally in one year. In conjunction, review the existing redeployment policy to ensure all candidates are assessed against behaviours and competencies and are not slotted in to inappropriate roles (square pegs in round holes). Consider how to consistently engage on issues with young people and make greater use of apprenticeships to bring new energy and ideas to the council.

Communications and public relations functions need to focus on engaging residents through ‘People Can’ and positioning Bradford in both the region and nationally as well as responding to media enquiries. Communications and project management approaches need to be aligned to future priorities. Finally, we noted that you currently use two corporate logos’ as an identity for the council so suggest you select the more historic crest brand and phase the other logo out to avoid confusion and provide one identity.

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2. Key recommendations

There are a range of suggestions and observations within the main section of the report that will inform some 'quick wins' and practical actions, in addition to the conversations on-site, many of which provided ideas and examples of practice from other organisations. The following are the peer team's key recommendations to the Council:

1. **Develop a coherent narrative of place and your ambitions:**

   Much of this already exists in a variety of places but it needs bringing together as a coherent vision for the long term future of Bradford District the place. This will enable all members and managers to articulate that narrative consistently both internally and with external partners.

   It will also inform more clearly Bradford's role and investment requirements in delivering the Leeds City Region Strategic Economic Plan (SEP). Developing a localised version of the SEP will form the basis of your economic and investment strategy.

2. **Use the narrative to place shape more effectively with partners:**

   This stronger narrative would help partners understand the council's priorities more clearly and would also enable the council to focus its resources on the partnerships and relationships that are most important in achieving that vision.

   In particular, it will streamline engagement with health and strengthen relationships with all health partners.

3. **Use the 'People Can' approach in a more systematic manner:**

   The 'People Can' approach is well regarded and has huge transformative potential and could be a brand around which to build a refreshed narrative of place. It could describe the council's ambition for pride of place through citizen involvement.

   It could also be used to develop a council wide demand management plan for Adults and Children's services and there are other transferable options the Council could actively consider.

4. **Make best use of newly appointed Strategic Director roles:**

   Strengthen corporate oversight through the newly established role of Strategic Director of Corporate Services.

   Ensure the newly appointed Strategic Director for Health and Wellbeing is adequately supported to meet future financial and service challenges.

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5. **More robust financial accountability and allocation of resources within the MTFS:**

   Need for more robust accountability for delivering agreed financial savings and to link outcomes based budgeting to current financial challenges.

   Review and align the transformation fund to 'big change' projects with appropriate capacity.

6. **Accelerate a Team Bradford approach to using Apprenticeships:**

   Accelerate a Team Bradford approach to using apprenticeships as a driver for unlocking young people's potential to bring new ideas into the council, plan for future leaders, address issues around hard to fill posts and make the council more representative of the communities it serves.

7. **Review Re-deployment Policy:**

. Review your current re-deployment policy and assess candidates against behaviours and competencies. The strategy should look at the development needs of existing staff as well as assessing skills, knowledge and capacity gaps for the future. This should be done as part of an overall Workforce Strategy for the organisation.

8 Pick one brand for the Council:

Pick one of the two brand logos you are currently using and stick with it to provide one brand identity for the council to underpin the narrative for the place.

3. Summary of the Peer Challenge approach

The peer team

Peer challenges are delivered by experienced elected member and officer peers. The make-up of the peer team reflected your requirements and the focus of the peer challenge. Peers were selected on the basis of their relevant experience and expertise and agreed with you. The peers who delivered the peer challenge at Bradford Council were:

- Donna Hall – Chief Executive, Wigan Council
- Cllr Nick Forbes, Council Leader, Newcastle-upon-Tyne City Council
- Craig Smith, Assistant Director of Education, Luton Borough Council
- Joanna Sumner, Assistant Chief Executive, London Borough of Hackney
- Peter Rentell – LGA Peer Challenge Manager
- Grace Abel – LGA National Graduate, Kingston Council

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Scope and focus

The peer team considered the following five questions which form the core components looked at by all Corporate Peer Challenges cover. These are the areas we believe are critical to councils' performance and improvement:

1. Understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?

2. Leadership of Place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?

3. Organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?

4. Financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?

5. Capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?

In addition to these questions, you asked the peer team to provide a critical friend review of Bradford's response to the Louise Casey report *"a review into opportunity and integration"* with focus on social inclusion and opportunities for young people in skills, education and employment.

The peer challenge process

It is important to stress that this was not an inspection. Peer challenges are improvement focussed and tailored to meet individual councils' needs. They are designed to complement and add value to a council's own performance and improvement. The process is not designed to provide an in-depth or technical assessment of plans and proposals. The peer team used their experience and knowledge of local government to reflect on the information presented to them by people they met, things they saw and material that they read.

The peer team prepared for the peer challenge by reviewing a range of documents and information in order to ensure they were familiar with the Council and the challenges it is facing. The team then spent 4 days on-site at Bradford Council, during which they:

- Spoke to more than 260 people including a range of council staff together with councillors, external partners, stakeholders and young people.

- Gathered information and views from more than 60 meetings and additional research and reading.

- Collectively spent more than 230 hours to determine their findings – the equivalent of one person spending over 6 weeks in Bradford Council.

This report provides a summary of the peer team's findings. It builds on the feedback presentation provided by the peer team at the end of their on-site visit (27th to 30th March 2017). In presenting feedback to you, they have done so as fellow local government officers and members, not professional consultants or inspectors. By its nature, the peer challenge is a snapshot in time. We appreciate that some of the feedback may be about things you are already addressing and progressing.

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4. Feedback

4.1 Understanding of the local place and priority setting

Bradford is a place of many communities, some are geographical and some are communities of interest. The Council has a sophisticated understanding of these communities, who are also beginning to be better represented across their workforce. We heard many examples of excellent work in promoting community cohesion that people cite as reasons for Bradford moving on from the riots in earlier years.

There is a recognition that Leadership of Place isn't just the responsibility of the Council Leader and Chief Executive but that everyone in the organisation can play a role. In this regard, the council's workforce is an underdeveloped asset in telling a more positive story of Bradford. As the vast majority of council staff live in the city, they could play a stronger role in tackling the collective lack of confidence that we sometimes heard about culminating in their default statement that "they are in the shadow of Leeds". Bradford needs to be more confident about its role working as a key partner with Leeds in the Combined Authority.

Broadway shopping centre and City Park are physical symbols of Bradford's journey of renewal and we urge you to celebrate the brilliant culture and heritage you have. Moving forward clearly defined priorities will need to be articulated, focused and resourced to continue this improving trajectory.

There is a Council Plan that is clear and coherent and is becoming increasingly embedded across the organisation. Many staff we met were aware of the corporate priorities and the role they play in achieving them. We saw a growing sense of optimism that the council and the place is improving with a widespread recognition that young people are the City's greatest asset now and in the future.

It is clear that there is strong community, faith, business and voluntary sector leadership which is actively engaged in shaping, and is committed to supporting the relatively new political vision set out by the Leader and the Executive. We found a clear alignment between business and political priorities with Transport and Education seen as key drivers of growth and potential. More partners buying into the concept of Civic Enterprise and the potential benefits to both themselves and the city in tackling deprivation and further investing in communities will help to move the vision into reality. Bradford has many large and significant nationally and internationally known businesses who can contribute more to the success of the city and can be key to helping to reduce inequality.

Turning this vision into a compelling, forward looking narrative for Bradford will be the next stage of the journey. It will also provide a reference point to challenge those who do not always speak positively about Bradford's future. There is currently a lack of a coherent narrative that tells the story of the council's ambitions for the metropolitan district into the longer term. This stronger narrative would help partners understand the council's priorities more clearly and would also enable the council to focus its resources on the partnerships and relationships that are most

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important in achieving that vision of place. In addition, there is a need to decide how to consistently engage with young people to help shape the future narrative and align skills gap analysis with current and future provision.

4.2 Leadership of Place

The Council Leader and Chief Executive are universally recognised as providing strong, clear and complementary leadership. They work well together and this is recognised across the metropolitan district and beyond with proactive engagement with other councils and partners across West Yorkshire. This solid platform provides an opportunity to lead and further develop the sub-region's approach to wider public sector reform.

The commitment to working within a range of broader partnerships; LGA, Key Cities, West Yorkshire Combined Authority is seen as a very positive step towards challenging some negative external perspectives of Bradford. Bradford is increasingly influential across a wide range of regional and national networks and the Chief Executive is instrumental in networking Bradford as a place. However, the narrative of place needs to better reflect the many local places that make up the District... The peer team coined the phrase "it's not an either/or it's a both and". The City needs a stronger sense of its real identity and role; incorporating the strengths of its different towns, villages and districts. Your great staff are under-used ambassadors for the council and the place and should be utilised as advocates.

We evidenced some strong and excellent local partnership arrangements, particularly with Police and the Voluntary Sector. There are active and committed community leaders and voluntary sector organisations who want to work collaboratively and with the council through co-design of services.

We were shown a draft copy of the recent Joint Targeted Area Inspection by multi-agency inspectorate which was very positive in terms of partnership relationships and leadership and governance. This provides a strong endorsement of current multi-agency arrangements and should be celebrated.

Whilst the engagement of most strategic partners was seen to be positive, enthusiastic and engaged more could be done to streamline health engagement and to develop stronger relationships with health partners. This could include establishment of a Board of non-executive leaders – Chairs of health organisations plus the Council Leader and relevant Executive Members – in order to complement the collaborative work being undertaken by respective senior management teams.

Councillors in Bradford are passionate, committed and fully engaged in the work of the council in a variety of different ways. They are visible in their local communities and there is very good ward and neighbourhood leadership by both members and officers.

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‘People Can’ is a widely recognised approach and a powerful asset-based model which has huge transformative potential. It encapsulates the journey that both the District and the council want to go on; that of empowering people to do more for themselves, and could be a brand around which to build a refreshed narrative of place. Instead of framing the challenges faced by the District as a series of comparisons and competitions, for example between urban and rural Bradford or between Bradford and neighbouring cities, ‘People Can’ is a simple way of describing the council’s ambition for pride of place through citizen involvement. It can be rolled out across departments and partners through place based working linked to a systematic demand reduction plan based on strong business intelligence. Ideally, it needs to become a unifying philosophy of working not just a campaign.

4.3 Organisational leadership and governance

We saw evidence of strong and well regarded political and managerial leadership and constructive member and officer working relationships at all levels across the council. The Council Leader and Chief Executive are seen as symbolic of the improvement journey the council is on and are both working well together to achieve future aspirations for the council and the place. Elected members are engaged at all levels and are committed to making a difference.

Regardless of effective current leadership we suggest you review plans and strategies to ensure strategic alignment to the council plan. This will, in turn, require you to ensure correct alignment of politicians and officers around difficult decisions that will need to be taken going forward about what services to stop, what buildings to close. As a current example of ineffective practice member involvement in appeals, through overturning officer management staffing decisions, can undermine effective staff management processes and behaviours and should be reviewed.

Ward plans are a good example of positive involvement of members as community leaders, although there is a danger that they create unrealistic expectations for the council to deliver. Developing them to be plans supporting members as local leaders of communities and place, possibly around the ‘People Can’ brand, would be a way of ensuring they don’t simply become the repository of local complaints about council services.

The corporate governance framework appears to work well, there is mutual respect and understanding for roles and responsibilities, and we didn’t hear of any adverse indicators relating to how the council’s decision making machinery works. Scrutiny is effectively holding the Executive to account, although this can sometimes present a confrontational image of local politics for staff and the public. Developing scrutiny’s role in commenting on emerging policy issues, as well as scrutinising decisions after the event, would lead to a more balanced position. Organisations such as the Centre for Public Scrutiny can provide developmental support in this regard.

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Staff we met are loyal, committed and highly motivated to deliver good quality services and there is a very supportive environment evident during challenging times with a ‘can do’ attitude developing. We saw good examples of investment in your staff with the Future Leaders programme and the Innovation Hub, both of which facilitate a growing sense of empowerment amongst staff at all levels. Ensure a strengths based approach is consistently embraced to meet future challenges. One area the peer team felt could be further developed is around political awareness for officers and LGA could support training in this area.

The Council has a developing organisational culture with staff at all levels starting to reflect new behaviours and values. However, the changing nature of local government and the increased focus on growth and commercialism will require different skills and competencies going forward so leadership development programmes and succession management will be a critical area of consideration. We suggest you push harder and faster on embedding behaviours with confidence. In parallel, you should review your apprenticeship programme and seek to use apprentices proactively to bring new ideas into the council, plan for future leaders, address issues around difficult to fill posts and make the council more representative of the communities it serves.

4.4 Financial planning and viability

There is a recognition, supported by strong political leadership, of the need to ensure the council is well prepared for the new funding arrangements that will be introduced for local government in 2019/20. This includes an explicit intent to grow the numbers of households paying council tax and businesses paying business rates in the District. The scale of the future financial challenge is understood by the council who acknowledge that business as usual is not an option.

Outcomes Based Budgeting (OBB) has been introduced as a model for ensuring effective and efficient use of resources. Staff we spoke to about OBB are optimistic about the potential for a budget shaped by outcomes and these need to be clearly tied into existing budget monitoring arrangements. The energy and capacity required to develop a robust OBB framework should be balanced against the need to ensure service managers and corporate directors have deliverable savings in place.

Previous reductions have been managed sensitively with the council delivering £231m savings since 2011 with a further £32m to be delivered over the next two years. The Medium Term Financial Strategy (MTFS) sets a net revenue gap of around £100m to be closed by 2020/21 starting from a current base of £378m. Audit statement confirms the council has a strong track record of delivering savings and generally keeping within budget though there are significant financial pressures within Adults and Children’s services. The OBB framework is a significant step towards closing the revenue gap through reflecting the corporate priorities and aligning resources accordingly.

We acknowledge that the council has expressed concern about the low level of its general fund balances and is planning to make further use of them to support the

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revenue budget. The peer team were concerned about the potential over-reliance on one off compensatory savings when projected savings aren't delivered (25% of projects last year were not delivered against savings plans). We found anecdotal evidence to suggest that policy around the delivery of savings could be more effectively communicated for example, there is still a culture in which some people believe that reserves can be used to fund under-performing projects but we acknowledge that this is not a corporate policy. It might simply be a case of reviewing the current wording on budget monitoring reports to ensure an explicit rather than implied course of action.

We found some instances where financial and service planning is not always consistently robust, and examples where earlier intervention on under delivery of change projects would minimise long term financial risk. One option is to develop a member led 'Star Chamber' approach which could provide greater Executive challenge and scrutiny of detailed savings plans and targets.

There is limited evidence of robust scoping of savings prior to budget setting alongside an under-performance in, and lack of clarity on who is responsible for delivering savings. There is scope to develop the infrastructure of OBB further by implementing it into the performance measures and by creating outcome based directorates, instead of services. This would support the delivery of savings and introduce meaningful culture change. There is also potential to develop a cross-cutting approach to the outcomes so that interdependencies are captured and worked on.

Given the significant change you need to tackle we felt the level of transformation funding was currently too low at circa £5m. We suggest you review the level of transformation funding and how it will be deployed to implement and deliver necessary change.

The council should also consider establishing a more aggressive and structured approach to commercialism, to include an income generation strategy. You will need to consider whether this can be delivered with existing capacity and resources. Work will be required to articulate exactly what this means to staff and what is expected of them and whether new skills need to be developed or bought in. There is a growing body of practice and examples from across the public sector that can inform the debate, including a range of information and case studies on the LGA website at: http://www.local.gov.uk/commercialisation.

4.5 Capacity to deliver and resources

Staff clearly enjoy working for the council and they feel that their contribution is highly valued. This is supported by a high level of staff retention. We met and heard of some real star performers who are highly regarded and respected in their roles. Overall staff told us that change is generally managed well and there is a broad recognition that the role of the council needs to change going forward. An example of this starting to happen with tangible impact is with school improvement.

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There are many good examples of the council working effectively in partnership to deliver improved outcomes for residents, such as neighbourhood work, hospital discharge, child sexual exploitation and community cohesion. These skills are transferable to other areas and more effective partnership working will serve to build capacity and target further efficiencies through co-creation. The ‘People Can’ approach is already demonstrating impact and has greater potential. Alongside partners and local communities, young people are willing and ready to go on the change journey with the council so be sure to include them.

There is clear leadership of change at the top layer of the council, the Council Plan sets out clear priorities and staff and partners are “up for” the challenge. However, ensuring change, appropriate behaviours and the vision for Bradford are consistently embedded at every level of the organisation will take additional effort.

The ‘Big Project’ Workforce Development Programme recognises the pivotal role of middle managers in achieving this and accelerating this programme of support, development and challenge will reap dividends and should be actioned. Whilst people talk about ‘business as usual’ no longer being an option in terms of the financial challenges faced by the council, more could be done to demonstrate there is a critical mass of improved outcomes so that people can see the benefit of expending time and energy in leading change.

Achieving change requires the council to tell a compelling narrative of the need for things to be done differently; to be clear about governance with the right people (political and managerial) fully signed up and to ensure there is capacity to deliver through appropriate alignment of transformation resources, management accountability and staff engagement. It will require a wholesale re-assessment and re-alignment of current available resources to ensure you take staff with you on the journey. Staff resilience will be a key issue to carefully monitor as pace of change increases.

We could not see an overarching programme management approach, or a structure in place to take an overview of all corporate projects from project initiation, business case through to monitoring successful delivery. The Council will need to ensure that arrangements are put into place to enable the linkages, sequencing and inter-dependencies between the various projects and activity to be clear. Robust monitoring and accountability will need to be a key feature of the Council’s programme governance to ensure the contribution to the budget strategy. Such an approach is necessary to consider the linkage of key work streams in any transformational change programme, such as asset rationalisation with agile working and channel shift; and should inform more effective cross-Directorate working.

The council needs to adopt a consistent approach to digital transformation. It would be beneficial to automate as many tasks as possible and introduction of enhanced mobile technology for staff would increase efficiency and reduce use of paper. There should be one IT system for all members of staff to access to ensure interface between all channels of communication and residents including, but not limited to housing, adult social care, children’s social care, neighbourhoods and

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finance. This would help to provide good knowledge and infrastructure around the person.

Use data to inform intelligent decision making as well as tracking performance as currently you appear to be data rich but could deploy a more intelligence-led approach. Given your majority annual spend on Adults and Children's services we suggest a targeted approach to Demand Management across the organisation in conjunction with your early help offer in order to reduce demand on the care system at the front door for adults and children's services. Similarly, explore opportunities for greater structural alignment with health to support joint commissioning, for example Data/IT/Risk Stratification.

There are opportunities to be explored for further co-located working based on the effective work currently in the Multi-agency Safeguarding Hub along with further consideration of shared service arrangements across neighbouring local authorities where a business case stacks up. Joint and integrated commissioning also needs to be further enhanced. We saw many positive things happening within the council and we would urge you to ensure you celebrate this success both internally and externally. This will impact positively on staff morale and ensure the buy-in to meet the future challenges.

4.6 Young People, Education, Skills and Employment

School Improvement

All stakeholders, including Head teachers, spoke positively of the changes in the last few years and directly related this to key personnel, namely the Strategic Director of Children's Services and Deputy Director responsible for education. The relationship between schools and the Council has been re-engineered to ensure a focus of resources where they are most needed and this is leading to improved outcomes for learners. The relationships are also improved and better calibrated between the Council and the non-maintained school sector, with a real sense of focus on learner outcomes, this has been achieved against a backdrop of significantly reduced staff resource within the Council.

Social Cohesion

There was a real sense of Bradford understanding its role of leader of place and working to ensure all sections of the communities served by the local authority were involved and integrated into a sense of belonging. This was evident in the neighbourhood working and how it has improved, in the Prevent and social cohesion activity in education settings and was backed up by young people in the focus group and by key stakeholders such as the police and the Voluntary Sector.

Link between young people, skills and future employer demand

There were many examples of impressive activity to ensure that young people in Bradford are learning relevant skills which are required for the modern workplace. These were developing to meet identified need and in many cases linked to the comprehensive post 16 education review and forward plan. As standalone activities they are likely to have impact and support young people as they move forward. There are also a range of activities within the economic development and growth sphere of activity with good attempts to engage local employers in developing Bradford and its employment opportunities. However, there could be more done to link the development of young people's skills and the future needs of employers – the Area Based Review of 2016 has some detail on future economic need but more could be done at a local and sub-regional level to link broadly 'education / skills' supply side activity and 'employer / economic growth' demand side activity. Within the council there could be more joint planning between relevant teams and the Chairs of the Relevant Scrutiny Committees could work together to more effectively support this join up.

<u>Apprenticeship Strategy</u>

Whilst the council is clearly aware of the Levy and Duty which came into force in April 2017 there is still work to be done to ensure this is embedded within the council. There is an understanding of the likely cost of the Levy but there was no apparent plan to ensure the Levy could be utilised to increase the number of apprentices within the council. This is linked to a wider issue of how apprentices are viewed – there is almost a sense of a paternalistic role of seeing apprentices as one year positions to provide a solid start to a career before moving on (as there is an assumption that there will not be opportunities for permanent positions within the council). This needs reviewing and as staff move on there could be a real sense of using apprentices to bring new ideas into the council, plan for future leaders, address issues around hard to fill posts and make the council more representative of the communities it serves. The council should also be using its leader of place role to model good practice and set the standard for other local employers (public and private sector) to strive towards. Furthermore there is an opportunity to pull all this together to ensure a coherent approach to apprentices, both as an employer and as a leader of place.

<u>Young Peoples' Views</u>

The young people who were part of a focus group during the peer challenge were positive and gave their views freely. They were a real credit to Bradford and gave real cause for optimism about the future in Bradford. They articulated views and concerns that you would expect to find in any area, for example what does the future hold for them, will there be enough jobs, and will there be quality opportunities for them in the future. They clearly saw education as the pathway to future opportunities. They were keen on more apprenticeship opportunities especially as there was a concern about the quality and range of jobs that might be available locally in the future.

Specific concerns that they highlighted were: the rise in visible homelessness on the streets especially in the city centre (and showed concern for the welfare of these people and wondered if empty homes could be used to support them), the attractiveness of Bradford as a place to live and work in relation to Leeds and a lack of out of school spare time activities to engage in. We would also suggest you consider re-establishing a 'Youth Council' within the council as they have proved to be a real asset to other local authorities across the region.

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5. Next steps

Immediate next steps

We appreciate that the political and senior managerial leadership will want to reflect on these findings and suggestions in order to determine how the organisation wishes to take things forward.

As part of the peer challenge process, there is an offer of further activity to support this. The LGA is well placed to provide additional support, advice and guidance on a number of the areas for development and improvement and we would be happy to discuss this. Mark Edgell Principal Adviser is the main contact between your authority and the Local Government Association (LGA). His contact details are: Email mark.edgell@local.gov.uk Mobile No. 07747 636910.

In the meantime we are keen to continue the relationship we have formed with the Council throughout the peer challenge. We will endeavour to provide signposting to examples of practice and further information and guidance about the issues we have raised in this report to help inform ongoing consideration.

Thank you to everyone involved for their participation and for engaging so constructively with the peer challenge. In particular, please pass on thanks from the peer team to Alison Riley, David Greenwood and their colleagues for their help and sterling support prior to the peer challenge and during the on-site phase.

Follow up visit

The LGA Corporate Peer Challenge process includes a follow up visit. The purpose of the visit is to help the Council assess the impact of the peer challenge and demonstrate the progress it has made against the areas of improvement and development identified by the peer team. It is a lighter-touch version of the original visit and does not necessarily involve all members of the original peer team. The timing of the visit is determined by the Council. Our expectation is that it will occur within the next 2 years.

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Ref	Outcome	Improvement / Action	Timescale	Portfolio Holder	Outcome Board and Officer Lead
LGA Recommendation 1. Develop a coherent narrative of place and your ambitions.					
1.1	A coherent and shared narrative for place - celebrating diversity of place and including *"People Can" approach.*	Working with our Producer City Partners, develop a shared narrative about Bradford District which can be used to promote our city and district as a place to live, work, study, visit and invest.	Oct. 2017	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
		Involve local businesses and citizens in developing the shared narrative about Bradford District through workshops, participatory public events, media coverage and social media.	Aug./Sept. 2017	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
		Share this place marketing narrative widely with local businesses, organisations and groups to ensure consistency in promoting Bradford District.	Nov. 2017	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
1.2	Get Bradford better placed so that we can build our reputation and influence others. Further communicate confidence in our city and district.	Work in partnership regionally and locally to develop and deliver the Positioning Bradford Action Plan.	Oct. 2017	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
		Identify and work with key stakeholders to improve Bradford District's reputation and influence with key decision makers nationally.	Aug. 2017 - March 2019	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
		Introduce monthly e-bulletin to further inform and engage key stakeholders.	**Completed**	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
1.3	Through the New Economic Growth Strategy, express our requirements for inclusive growth, sectoral growth and skills and employment.	Set out the key drivers and enablers for economic growth in the strategy, incorporating skills and employment requirements.	Oct. 2017	Cllr Alex Ross-Shaw	Skills Jobs Economy Strategic Director Place
1.4	Celebrate the culture and heritage of Bradford district.	The cultural partnership further developed and supported by an events programme and the implementation of the destination management plan.	Sept. 2018	Cllr Sarah Ferriby	Skills Jobs Economy Strategic Director Place
1.5	Council priorities defined through West Yorkshire Combined Authority as part of our emerging Economic Growth Strategy.	New Economic Growth Strategy in place with maintained infrastructure for resilience and growth and increased understanding of asset development and conditions.	Oct. 2017 - 2020	Cllr Alex Ross-Shaw	Skills Jobs Economy Strategic Director Place
1.6	Young people engaged in shaping the future narrative.	Using current mechanisms such as Youth Voice consistently engage with young people to shape the future narrative.	On-going to Feb. 2020	Cllr Abdul Jabar	Great start and good schools Strategic Director Children's Services
		Implement a District wide Youth Voice Group.	March 2018	Cllr Abdul Jabar	Great start and good schools Strategic Director Children's Services
		50 young person led initiatives implemented.	March 2020	Cllr Abdul Jabar	Great start and good schools Strategic Director Childen's Services
LGA Recommendation 2. Use our narrative to place shape more effectively with partners					
2.1	A Stronger narrative in place that will help partners better understand the council's priorities and how they can contribute.	Put in place a programme of activities to better engage with large and significant national and internationally known businesses who can contribute to the success of the city.	Sept. 2017 - Sept. 2018	Cllr Alex Ross-Shaw	Skills Jobs Economy Strategic Director Place
2.2	Council is better focused on the partnerships and relationships that are most important in achieving the Council's vision.	Further develop our approach to co-design of services opportunities, especially with the Police and Health.	March 2020	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
2.3	Our approach to co-design of services opportunities with VCS and police and health are further developed.	Put in place mechanisms to ensure closer partnership working and operational activity on Shared Spaces..	March 2020	Cllr Abdul Jabar	Safe, Clean and Active Strategic Director Place
2.4	Work specifically with our Health Partners on place shaping through the new narrative	Develop opportunities to integrate service delivery with partners to support people, families, and communities.	Sept. 2017	Cllr Val Slater	Better health better lives Strategic Director Health and Wellbeing

		Develop stronger relationships with health partners through existing and new working arrangements to utilise, share and review commissioning intentions.	Sept. 2017	Cllr Val Slater	Better health, better lives Strategic Director Health and Wellbeing
		Streamline health engagement and develop stronger relationships with health partners.	March 2018	Cllr Val Slater	Better health, better lives Stategic Director Health and Wellbeing
		Work within the provider alliances to develop our approach towards integration around people, maximising the potential to strengthen the delivery of services at locality level and in key areas across the District.	March 2018	Cllr Val Slater	Better health, better lives Strategic Director Health and Wellbeing
		Connect up and strengthen 24 hour support services for citizens of Bradford District.	March 2018	Cllr Val Slater	Better health, better lives Strategic Director Health and Wellbeing
2.5	Strengthened corporate data analytics informing intelligence led decision making.	Further develop data analytics IT systems, e.g. the use of PowerBi, and establish shared data hubs with key partners.	March 2018	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
LGA Recommendation 3. Use of 'People Can' approach in a more systematic way					
3.1	*People Can* approach is further integrated into service provision and future service design.	*People Can* approach rolled out across departments and partners through the work of the five outcome boards.	Ongoing to 2020 and currently being communicated to all.	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Svervices
		Identify areas where the *People Can* approach will help reduce demand on services with an aim to systematically reduce demand on council resources.	March 2018	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
3.2	The *People Can* model encompasses the business community.	Further develop the *People Can* approach to encompass the business community linked to the delivery of the Business Covenant.	Aug. 2017 - 2020	Cllr Val Slater	Great start and good schools Strategic Director Children's Services
3.3	Focus on *People Can* for all young people and adults, whatever their individual challenges or age.	Implementation of the Home First Vision.	March 2018	Cllr Val Slater	Better health, better lives Strategic Director Health and Wellbeing
3.4	Improved awareness of *People Can* through the use of technology and improved participation.	Develop the *People Can* website to drive involvement and take-up.	Dec-17	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
		Develop online sharing and project development platform e.g. Comoodle.	**Completed**	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
		Increase the number of people participating in community life/volunteering by 10% by 2020.	March 2020	Cllr Abdul Jabar	Safe, Clean and Active Strategic Director Place
3.5	Success of our communities celebrated through the use of awards e.g. Community Stars.	Continue to develop *People Can,* celebrate success through Community Stars.	March 2020	Cllr Abdul Jabar	Safe, Clean and Active Strategic Director Place
3.6	Improvements made to neighbourhoods and businesses through ward planning as a result of delivery of actions and projects. Citizens and partners recognise that they can identify issues at a locality level and influence change.	Ward plans in place that reflect the Council's ambition and incorporate the *People Can* approach.	Ongoing to 2020	Cllr Abdul Jabar	Safe, Clean and Active Strategic Director Place

3.7	Bradford education Covenant reinforces a *People Can* mind set in staff and the public.	*People Can* approach included in the Bradford Education Covenant.	March 2018	Cllr Imran Khan	Great start and good schools Strategic Director Children's Services
LGA Recommendation 4. Make best use of newly appointed Strategic Director Roles					
4.1	Strengthen corporate oversight.	The post of Strategic Director for Corporate Services is now in place, and is an established member of the corporate management team and integral to key decision making groups.	**Completed**	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
LGA Recommendation 5. More robust financial accountability and allocation of resources within the Medium Term Financial Strategy (MTFS).					
5.1	Outcomes based budgeting better linked to current financial challenges.	The Corporate Plan Delivery Board (CPDB) will take overall responsibility for ensuring the programme of budget actions derived from the outcome based budgeting process is controlled and implemented.	**Completed**	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
		Regular reports to the Executive, Corporate Overview and Scrutiny, Corporate Management Team and service managers that flag issues at an early stage.	Ongoing to 2020	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
		Introduce a series of "Star Chambers" chaired by the Leader of the Council to challenge Strategic Directors where there are signs that savings are at risk of not being met.	Ongoing to 2020	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
5.2	The transformation fund aligned to 'big change' projects ensuring appropriate capacity for these projects.	Review level of transformation funding and how it will be deployed to deliver change.	**Completed**	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
5.3	Programme management arrangements strengthened to ensure linkages, sequencing, and interdependencies between projects are clear.	Establish Corporate Programme Management Team.	Oct. 2017	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
5.4	Diversifying sources of funding.	Establish funding group.	Ongoing to March 2018	Cllr Susan Hinchcliffe	Well Run Council Chief Executive
		Undertake assessment of what untapped funding sources exist which support Council priorities.	Ongoing to March 2018	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
		Set Plan of funding acquisition, evaluate its success and monitor its impact.	Ongoing to March 2018	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
5.5	Investment in assets to generate surplus revenues.	Introduce quarterly reviews of investments and investment pipeline to include case for investment outside Bradford District and investment in wider property portfolio through investment funds.	**Completed** Process in place and quarterly review undertaken.	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
LGA Recommendation 6. Accelerate a Team Bradford approach to using Apprenticeships					
6.1	Accelerate the approach to using apprenticeships to help as a driver for new ideas, future leadership and making the Council more representative of the communities it serves.	Design and implement a Council wide plan for how the organisation will offer up to 500 apprenticeships and traineeship opportunities per year.	Aug. 2017 - 2020	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services

		Develop and implement a district wide approach to apprenticeship opportunities that cross two or more organisations.	Aug. 2017 - 2021	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
		Establish career progression opportunities for apprentices.	March 2018	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
6.2	Increase apprenticeships in Social Care.	Jointly work and support providers of Adult Social Care (including support services) to offer apprenticeships within the Council and with partners.	March 2018	Cllr Val Slater	Better health, better lives Strategic Director Health and Wellbeing
6.3	Increased use of apprenticeships in Children's Services.	Increased usage of 'apprenticeships' making full use of the reclaimed funding from the 'levy'.	March 2020	Cllr Imran Khan	Great start and good schools Strategic Director Children's Services
LGA Recommendation 7. Review Re-deployment Policy as part of an overall workforce strategy					
7.1	Employment and redeployment policies reviewed as part of the workforce strategy.	Accelerate plans to review our approach to redeployment.	**Completed**	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
		Audit of staff skills, commitments and contributions outside work to be undertaken.	Dec-17	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
		Workforce Development Programme regularly reviewed to reflect the needs of existing staff as well as assessing the skills, knowledge and capacity gaps.	Reviewed annually - next review June 2018.	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
7.2	Appeals process reviewed as part of the workforce strategy.	Enhanced training programme for Appeals Panels' members provided. Composition of Appeals Panels reviewed. Consider establishment of officer only panels.	Jun-18	Cllr Susan Hinchcliffe	Well Run Council Strategic Director Corporate Services
LGA Recommendation 8. Pick one brand for the council					
8.1	Single logo for the council.	Use the civic crest consistently as our brand.	**Completed**	Cllr Susan Hinchcliffe	Well Run Council Chief Executive

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 28 September 2017.

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Subject:

West Yorkshire Pension Fund Report and Accounts for the year ended 31 March 2017.

Summary statement:

This is the latest report on West Yorkshire Pension Fund financial activities and financial performance for the year 2016/17. The value of the Fund as at 31 March 2017 is £13,632.3m net increase of £2,421.35, 21.6%, compared to the asset value at 31 March 2016. The table below gives assets values for the last seven years including 2016/17

Based on our latest actuarial valuation 31 March 2016 the Fund is 94% funded, in comparison to the 31 March 2017 asset value the fund is 107% funded and theoretically in surplus by 7% as at 31 March 2017. However, since 2016/17 is not a valuation year the 7% funding surplus as at 31 March 2017 will not provide any immediate benefit to employers. If the market remains steady going forward to 31 March 2019 this may translate to real benefits for employers in reduced contributions, however markets may go up or down. WYPF 94% funding level for 31 March 2015/16 and the 107% for 2016/17 is one of the best funding levels within LGPS.

There is a new Cipfa guideline on cost classification for LGPS that has increased our investment management cost by £2.5m for transaction costs. Based on the 2016/17 outturn, excluding the adjustment of £2.5m our total cost per member is £27.38 (Pension Admin £13.70, Investment Management £10.74 and Oversight & Governance £2.94). In comparison to the 2015/16 SF3 report total cost per member of £28.38, this is a reduction of £1.00. By using the new Cipfa guideline on transaction costs our total cost will be £36.09 and our investment cost per member will be £19.53. If all pension funds report their transaction costs correctly for 2016/17 we would still have the lowest cost.

Mr Rodney Barton
Director WYPF

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

Portfolio:
Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

The Reports and Accounts provides a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2017. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

2. BACKGROUND

2.1 The unaudited Reports and Accounts provides a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2017. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

2.2 The value of the Fund as at 31 March 2017 is £13,587.99m net increase of £2,377.01m, 21.2%, compared to the asset value at 31 March 2016. The table below gives assets values for the last seven years including 2016/17:

Year to 31 March	Net Asset	Increase (Decrease)	Increase (Decrease)
	£m	£m	%
2017	13,632.33	2,421.35	21.59%
2016	11,210.98	-108.22	-0.96%
2015	11,319.20	950.40	9.17%
2014	10,368.80	428.50	4.31%
2013	9,940.30	1,155.89	13.16%
2012	8,784.41	134.11	1.55%
2011	8,650.30	710.8	8.95%

2.3 The increase in net assets of £2,421.35m between 31 March 2016 and 31 March 2017 is the result of strong financial markets in 2016/17. The net increase in asset value is made up of strong return on investment of £2,519.04, plus pension contributions from employers and employees of £427.91m, being less than pension costs of £513.32m.

2.4 Total return on investment of £2,519.04m is made up of the increase in market value of investments of £2,180.57m and net investment income of £338.46m from dividends, interest, stock lending commission less taxes on investment income.

2.5 The Fund continues to have a positive net cash flow, during 2016/17 of £240.77m comprising of net investment income of £338.46m less £97.69m net payments from dealing with members.

2.6 In 2016/17 our investment activities delivered gross positive return 22.9%. This is good news, because this exceeded our specific benchmark of 20.4% by 2.5% for 2016/17. This also means our cumulative benchmark results for three and five years are exceeded by 1.0% and 0.75 respectively, this is an excellent result. The fund performance over 10 years is 0.4% per annum over the benchmark. Investment returns against benchmark are as follows:

31-Mar-2017	Annualised Return	Fund Specific Benchmark	Over /(Under)
	%	%	%
One Year	22.9	20.4	2.5
Three Years	11.1	10.1	1.0
Five Years	10.4	9.7	0.7
Ten Years	7.1	6.7	0.4

2.7 During 2016/17 our active membership was virtually the same as 2015/16, with a reduction of 46 active members, from 101,927 to 101,881. Total membership rose by 5,869 (2.1%) from 278,951 to 284,820.

2.8 During 2016/17 employer numbers increased from 408 to 456, an increase of 46 (11.8%). At the 31 March 2017 there were 422 active employers.

2.9 The table below shows our performance on 18 key work areas, this performance reflects the commitment of officers and managers in delivering services to all our clients.

	Work Type	Total cases	Target days	Target cases met	KPI Target	Actual KPI
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,036,008	Due days	1,036,008	100	100
2	Transfer In Quote	618	35	596	85	96.44
3	Transfer In Payment Received	372	35	328	85	88.17
4	Divorce Quote	670	35	644	85	96.12
5	Refund Quote	2,690	35	2,418	85	89.89
6	Refund Payment	2,020	10	1,999	95	98.96
7	Transfer Out Quote	775	35	714	85	92.13
8	Transfer Out Payment	167	35	153	85	91.62
9	Pension Estimate	7,961	10	6,623	75	83.19
10	Retirement Actual	3,482	3	3,282	90	94.26
11	Deferred Benefits Into Payment Actual	2,582	5	2,402	90	93.03
12	Death Grant Single Payment	852	5	844	90	99.06
13	Change of Address	13,096	5	12,787	85	97.64
14	Life Certificate Received	20,995	20	20,675	85	98.48
15	Payroll Changes	3,634	5	3,553	90	97.77
16	Change to Bank Details	1,903	5	1,855	90	97.48
17	Death in Retirement	2,750	5	2,555	85	92.91
18	Retirement Quote	3,706	10	3,497	85	94.36

2.10 Based on the 2016/17 outturn, excluding the adjustment of £2.5m for investment transaction costs our total cost per member is £27.38 (Pension Admin £13.70, Investment Management £10.74 and Oversight & Governance £2.94). In comparison to the 2015/16 SF3 report total cost per member of £28.38, this is a reduction of £1. Including transaction costs our total cost will be £36.09 and our investment cost per member will be £19.53. If all pension funds report their transaction costs correctly for 2016/17 we would still have the lowest cost.

3. OTHER CONSIDERATIONS

This is the latest update on the Report and Accounts for West Yorkshire Pension Fund 2016/17. The yearend accounts for 2016/17 are currently being audited by Mazars LLP. Once the final audit is completed the audited Report and Accounts will be presented to the Joint Advisory Group in January 2017.

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

4. FINANCIAL & RESOURCE APPRAISAL

All financial implications are addressed within the report and there are no direct financial implication for CBMDC from this report. Pension costs is a significant financial factor for all employers, therefore strong financial performance and governance of WYPF activities will have a positive financial impact on employers and members in the Fund.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no significant risks arising out of the implementation of the proposed recommendations.

6. LEGAL APPRAISAL

As the Administering Authority for WYPF CBMDC have legal responsibility for proper administration of the fund and this managed by a scheme of delegation to WYPF pension committees and the WYPF Director of Pension.

7. OTHER IMPLICATIONS

None

7.1 EQUALITY & DIVERSITY

None

7.2 SUSTAINABILITY IMPLICATIONS

None

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.4 COMMUNITY SAFETY IMPLICATIONS

None

7.5 HUMAN RIGHTS ACT

None

7.6 TRADE UNION

None

7.7 WARD IMPLICATIONS

None

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

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

None

10. RECOMMENDATIONS

Recommended -

The 2016/17 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee

11. APPENDICES

Appendix 1

WEST YORKSHIRE PENSION FUND –
REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

Appendix 2

WEST YORKSHIRE PENSION FUND –
FUNDING UPDATE REPORT 31 MARCH 2017

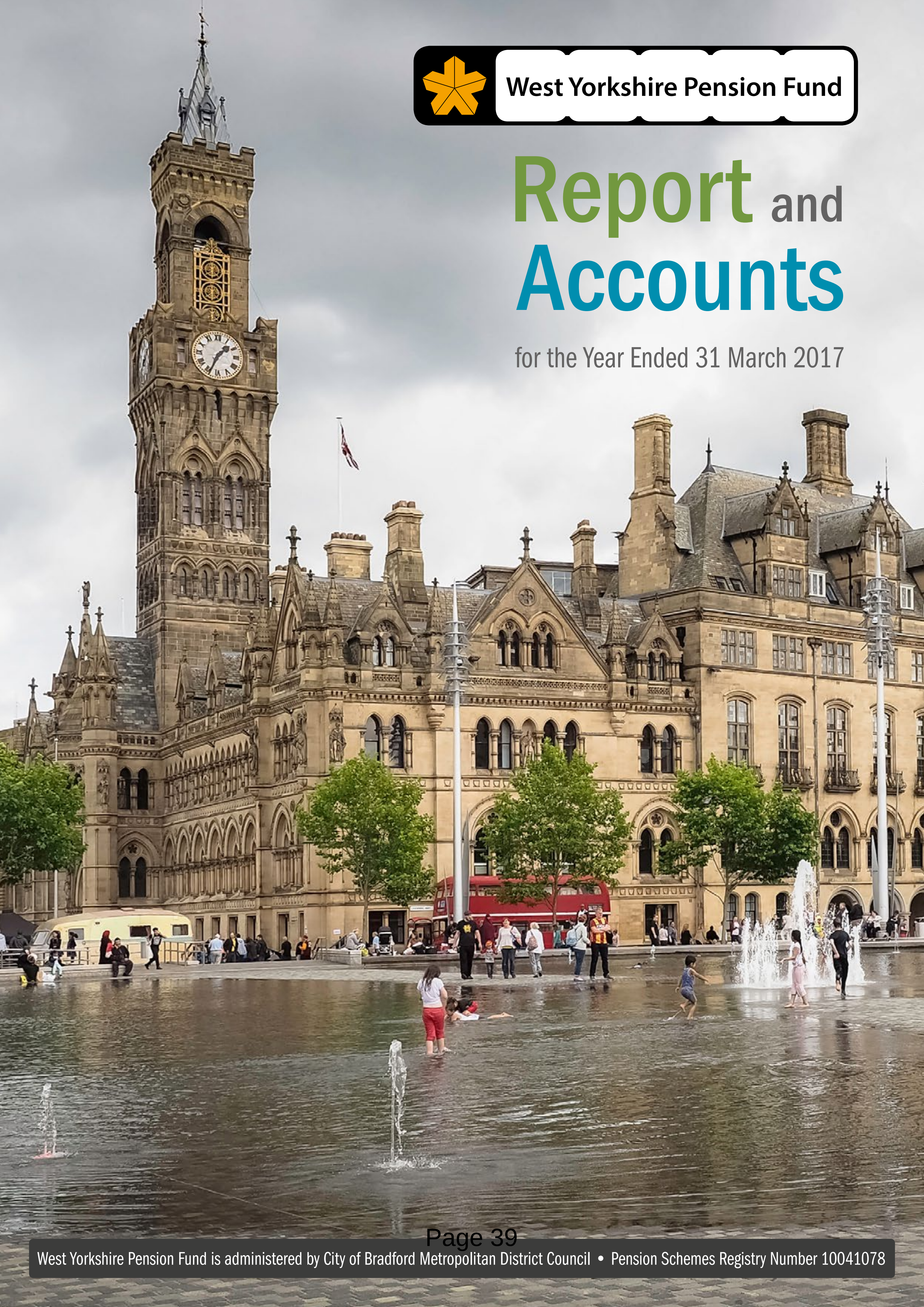
12. BACKGROUND DOCUMENTS

None

West Yorkshire Pension Fund

Report and Accounts

for the Year Ended 31 March 2017



West Yorkshire Pension Fund is administered by City of Bradford Metropolitan District Council • Pension Schemes Registry Number 10041078

Contents

Section 1
Foreword

Foreword

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31 March 2017 we had 284,820 members and 422 employers across the UK. Our largest employers are the five West Yorkshire Councils – Bradford, Calderdale, Kirklees, Leeds and Wakefield.

2016-17 proved to be a volatile year for investment, with the Brexit vote and US elections confounding the polls once again. However, the Fund ended the year with a value of £13.6 billion, an increase of over 21%. While markets were generally higher at the end of the year, a major contributor to this was weaker Sterling following the Brexit vote. As a significant owner of overseas assets (much of the UK stock market consists of companies with substantial overseas assets) the Fund has benefitted from this weakness, and will continue to do so, offsetting the weaker environment in the UK.

The Fund received the result of the actuarial valuation at 31 March 2016, which, after setting even more conservative assumptions for future expected returns, shows a funding level of 94%, a reduction of just 2%. This will demonstrate the consistent success of the long term investment strategy adopted by the Fund, which will have one of the highest funding levels within the LGPS.

The Government requires LGPS Funds to pool their assets in order to achieve cost efficiencies on investments. Having the lowest cost of investments of all the LGPS funds, we concur with the objectives, although we will benefit less than the average fund from the process. We are working with our pooling partners, two other large efficient metropolitan funds, Greater Manchester and Merseyside, to develop the Northern Pool. The Northern Pool has met all the deadlines set by the Government, and in respect of investing in infrastructure, one of the pooling criteria, we are well ahead of the pack, having an operational programme with £1.4 billion to invest.

On pensions administration we continue to improve our systems, and our dedicated staff deliver a high quality service at a very low cost. As part of our desire to share this low cost with others we have a joint service arrangement which includes Lincolnshire Pension Fund and seven Fire and Rescue Authorities across the country. We have also been appointed to the National Framework for the provision of administration services to the LGPS, which enables other schemes to share in our low cost, high quality service provision.

The quality of both the investment and administration teams are clearly demonstrated in what I have covered above, so it gives me great pleasure to thank them on behalf of the Joint Advisory Group and Investment Advisory Panel for all they do for scheme members and employers.

During the year the Investment Advisory Panel lost two of its members, Councillors Graham Stokes and Les Shaw from Wakefield. Les had a relatively short period on the Fund having been appointed in 2011, but Graham was appointed in 2003, and gained significant knowledge and experience over those years, contributing to the investment strategy debates and playing a full part in the success of the Fund.

I trust you will find the Annual Report interesting and informative, as it demonstrates that the Fund remains financially sound, and will provide financial security in retirement for its 250,000 members.

Councillor Andrew Thornton

Chairman

Joint Advisory Group and Investment Advisory Panel

Section 2
Management Structure

Members of the WYPF Joint Advisory Group

Bradford Council

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

Calderdale Council

Councillor B Metcalfe	Councillor S Baines MBE	Councillor J Lynn

Kirklees Council

Councillor E Firth	Councillor F Fadia	Councillor H Richards

Leeds Council

Councillor P Davey	Councillor P Harrand	Councillor N Dawson

Wakefield Council

Councillor D Jones	Councillor J Speight	Councillor R Forster

Trades Union Representatives

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

Scheme Member Representatives

Kenneth Sutcliffe	Wendy Robinson

Representative from the Councils of West Yorkshire

Stuart McKinnon-Evans
Strategic Director –Corporate Services – BMDC

Members of the WYPF Investment Advisory Panel

Bradford Council		
Councillor A Thornton **Chair**	Councillor G Miller	
Calderdale Council		
Councillor B Metcalfe	Councillor S Baines MBE	
Kirklees Council		
Councillor E Firth	Councillor H Richards	
Leeds Council		
Councillor P Davey	Councillor P Harrand	
Wakefield Council		
Councillor Ms J Speight	Councillor M Morley	
Trade Union Representatives		
I Greenwood OBE – UNISON **Deputy Chairman**	Tristan Chard – GMB	Liz Bailey – UNISON
West Yorkshire Pension Fund		
Rodney Barton – Director		
External Advisers		
Noel Mills	Mark Stevens	
Representative from the Councils of West Yorkshire		
Doug Meeson **Director of Resources and City Development – Leeds City Council**		
Scheme Member Representatives		
Stuart Imeson	Gerald Hey	

Members of the WYPF Local Pension Board

Employer Representatives

Councillor M Slater **Chairman**	Councillor M Isherwood	John Morrison
	Councillor G Hyde	

Member Representatives

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

Appointed service providers and advisers

Actuarial services	Aon Hewitt 25 Marsh Street Bristol BS1 4AQ
AVC providers	Equitable Life Assurance Society PO Box 177 Walton Street Aylesbury Buckinghamshire HP21 7YH Prudential Lancing BN15 8GB Scottish Widows PO Box 902 15 Dalkeith Road Edinburgh EH16 5BU

Auditors	Mazars LLP Gelderd Road Gildersome Leeds LS27 7JN	**Auditors**	Mazars LLP Gelderd Road Gildersome Leeds LS27 7JN
Banking and Custodial Services	HSBC 8 Canada Square Canary Wharf London E14 5HQ	**Banking and Custodial Services**	HSBC 8 Canada Square Canary Wharf London E14 5HQ
Legal Adviser	Parveen Akhtar City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY	**Legal Adviser**	Parveen Akhtar City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
Pensions Computer Services	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD	**Pensions Computer Services**	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD

Internal Dispute Resolution Advisers

Appointed Persons for Stage 1 Internal Dispute Resolution Procedure (IDRP)	Rodney Barton – Director, WYPF City of Bradford Metropolitan District Council WYPF Ground Floor Aldermanbury House 4 Godwin Street Bradford BD1 2ST
Appointed Persons for Stage 2 Internal Dispute Resolution Procedure (IDRP)	Kersten England Chief Executive City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY

IDRP Medical Adviser	Santia Occupational Health Santia House Parc Nantgarw Cardiff CF15 7QX

Section 3
Local Pension Board Annual Report

West Yorkshire Pension Fund Pension Board Annual Report

Foreword

West Yorkshire Pension Fund's Local Pension Board was established in April 2015 as required by section 5 of the Pension Act 2013.

During 2016 calendar year the Board has met in March 2016 and in November 2016. Board members have attended numerous training events, seminars, conferences and activities on issues relating to local government pension schemes and overriding legislation in order to broaden their depth of knowledge.

The Local Pension Board was set up in such a way to ensure knowledge and understanding of the Board is maintained at all times by appointing half of the members for an initial two year period instead of the usual four years. This approach will ensure board members are replaced on a rolling programme and therefore new members of the Board will have access to a wealth of knowledge from the experienced Board members.

We have had a busy first two years and, as there are a number of significant issues affecting the Local Government Pension Scheme on the horizon, I expect the work of the board to be busy going forward.

Councillor Malcolm Slater

Chair of WYPF Pension Board

Pension Boards

Overview of WYPF Pension Board

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

The purpose of the Board is to work closely in partnership and assist the Administering Authority with the following:

- Securing compliance with the scheme regulations and any other legislation relating to the governance and administration of the scheme.
- Securing compliance with the requirements imposed by the Pensions Regulator (tPR) in relation to the scheme.
- Ensuring any breach of duty is considered and followed under the scheme procedure for reporting to tPR and to the scheme manager City of Bradford Metropolitan District Council – Governance and Audit Committee.
- Assisting the scheme manager in ensuring effective and efficient governance and administration of the scheme
- Such other matters as the scheme regulations may specify.

Detailed information on the Boards function is set out in the Terms of Reference which can be found on the WYPF website at **www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_TermsOfReference.aspx**

Constitution and Membership

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

The membership of the Board during the year was as follows

Four employer representatives

- Councillor Malcolm Slater (Chair)
- Councillor Graham Hyde*
- Councillor Margaret Isherwood*
- John Morrison

* Councillor Hyde and Councillor Isherwood only joined the Pension Board part way through the year.

Four member representatives

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

Meetings, training and attendance

The Pension Board usually meet every six months. Due to timings, meetings were held in March 2016 and November 2016.

The November meeting was attended by six of the eight representatives.

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

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

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

- Local Government Association – Fundamentals training
- Pension Board Members Training – Aon and Evershed
- Local Government Association – Training for Local Pension Board Members
- Actuarial Valuation and Funding Strategy training – Aon
- Local Government Association – Understanding Retirement Benefits
- LGPS – Trustees Conference
- CIPFA and Barnett Waddingham – Local Pension Board 1 Year on
- Local Government Association – Death and Survivor Benefits
- PLSA - Pension Board Information Seminar
- CIPFA – Local Pension Update
- TPR Trustees toolkit training

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

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

Further in house training events will be delivered in 2017/18 on issues/areas identified by members of the Board. Including:

- IDRP process.
- Oversees pensioners and
- Risk Management.

Work of the Pension Board during 2016/17

At the November 2016 meeting the following issues were reviewed:

- Investment reform criteria and guidance – Investment pooling
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016
- Minutes from the Joint Advisory Group and Investment Advisory Panel meetings held during the year.
- Actuarial Valuation 2016
- Review of the Breaches of Law register
- GMP reconciliation exercise
- Training conferences and seminars

Work Plan for the next twelve months

The initial work plan for the next 12 months includes:

- Review the outcome of the 2016 Valuation
- The Fund adherence to the Pension Regulators Code of Practice
- The Breaches of Law Register
- Guarantee Minimum Pension reconciliation exercise
- The work of the Joint Advisory group and Investment Advisory Panel
- The development of the Northern pool
- Five year Internal Audit Plan

Details of the Boards activities including papers, agendas and minutes of Board meetings can be found at **www. wypf.org.uk/Member/Pension Board/WYPF/Pension Board_WYPF_Index**

Section 4
Pensions Administration Review

Overview and legal status of West Yorkshire Pension Fund

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

Administering Authority

City of Bradford Metropolitan District Council is the administering authority for WYPF. Bradford Council's administering authority responsibilities are met by WYPF's in-house pensions administration and investment teams. WYPF's Pension Schemes Registration number with HMRC is 10041078. Contributing members of the Scheme were contracted out of the State Second Pension until 5 April 2016 when the State Second Pension was abolished replaced by a single-tier state pension. The result is that employers and members now pay the full Class 1 National Insurance Contributions (NICs) and members will benefit from the single-tier state pension.

HMRC Registration

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

Key activities during the year

Annual meetings

WYPF held its 15th annual meeting for scheme members at John Smith Stadium Huddersfield on 4th November 2016. The guest speaker this year was a representative from West Yorkshire Trading Standards who gave a presentation on 'Scams & Frauds'.

The meeting was chaired by Councillor Andrew Thornton, The Chairman of WYPF's Investment Panel and Joint Advisory Group. There were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment advisers Noel Mills and Mark Stevens. Our employers' annual meeting was held in Bradford on 3rd November. Topics covered were 2017 pension fund valuation, and updates on the Fund including its investments, administration and the general economic and financial market climate. The presentations were well received by those present.

Employer workshops

The workshop sessions for employers have proven to be very popular again this year. Due to the increased demand we added two additional dates in September and November. Four different types of workshops were provided for employers:

- Introduction to West Yorkshire Pension Fund
- Complete guide to administration
- Your Responsibilities

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

Planning for a positive retirement workshop

The partnership with Affinity Connect launched last year to support and guide members who are considering what retirement might mean to them has proved very successful with positive feedback from members.

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

Pension Increase

Each year, WYPF pensioners receive an annual adjustment in accordance with pension increase legislation, linked to movements in the Consumer Price Index (CPI). Deferred members benefits are also adjusted by CPI. For the 2016/17 year CPI fell by 0.1%, the adjustment was negative, the first time this has ever happened.

Pension administration and cost

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

WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2008. Our quality management systems ensure that we are committed to providing the best possible service to members, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £14.45, this is the 9th lowest cost amongst 89 LGPS funds and well below national average of £27.11.

Shared Service

Our shared service partnership with Lincolnshire Pension Fund and seven Fire Authorities continues to flourish and has provided major cost savings for all partners and ourselves.

National LGPS Framework

A multi provider framework agreement for the provision of third party administration services was issued by Norfolk CC (on behalf of a number Authorities). We were successful in our submission to the framework which puts us in a strong position to bid for other contracts. This will allow other administering authorities to share in our current low cost, high quality service, as in future savings as the service efficiency continues to improve.

Communications

Our contact centre continues to be a popular way for members to communicate with us about their pensions. Over 80,000 calls were received with 91% answered within 20 seconds.

Over 92% of annual benefit statements were issued to active members by the new shortened deadline of 31 August imposed by the Pensions Regulator. Deferred benefits statements were issued to deferred members by 31 May. As of 31 March 2017 we have issued 99.27% of all benefit statements, those not issued were due to lack of information from employers.

Regular newsletters are circulated to our members to keep them informed of important pensions news.

Pension Scheme of the year awards – Professional Pensions

WYPF won the 'Best use of IT and Technology' award at the Pension Scheme of the Year awards, announced on 14 July in London. The awards were hosted by the Professional Pensions Journal. This is the second year running WYPF have won this award.

WYPF were also shortlisted in the following categories:

- Public Sector Scheme of the Year
- DB Communications (public sector)
- Best DB Scheme Innovation
- Trustee Development Awards

WYPF were winners of the ' Large LGPS Fund of the Year' awarded by the Local Authority Pensions Fund (LAPF).

LGC Investment awards

WYPF received a high commendation in the Best Collaboration category at this year's LGC awards held on 9 November 2016 in London, and were a significant contributor to 'Project Pool', which was the winner of this award.

WYPF were also shortlisted in five other categories.

Pension Age Awards

Pension Age Awards have also shortlisted WYPF under the following categories:

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

Staff training and development

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

- Chartered Institute of Payroll Professionals (CIPP) foundation degree in Pensions Administration and Management
- Pensions Management Institute qualification (APMI)
- Certificate in Pensions Administration (CPA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)
- Investment Management Certificate (IMC)
- Chartered Financial Analyst (CFA)

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

- National Association of Pension Fund (NAPF) Local Authority Conference
- Pension Managers Conference
- Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Network events
- LGPS Trustees Conference
- Pensions and Lifetime Savings Association (PLSA) Local Authority Conference
- LGC Investment Summit

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

Disaster recovery and risk management monitoring

WYPF uses Bradford Council's dedicated disaster recovery (DR) datacentre, which is located separately from the council's primary datacentre where our primary servers are hosted. Our DR datacentre hosts standby servers, storage and network connectivity. WYPF's primary datacentre is linked to the DR datacentre by fibre optic cables. Both datacentres are live on the Council's network. The equipment within the DR datacentre provides service resilience and service continuity in case of primary system failure. All our main network, email services and software applications infrastructure are duplicated over the Primary Datacentre and the DR Datacentre sites. WYPF's data from the primary datacentre are backed up to the DR datacentre and in addition an encrypted backup tape is sent to a dedicated offsite storage facility every week.

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

LGPS Consultations

On 27 May 2016 Department for Community and Local Government issued a consultation and draft regulations, these provide for:

- The implementation of the reformed Fair Deal for Staff Pension Provisions in to the Local Government Pension Scheme Regulations;
- The introduction of additional ways in which a scheme member can access their Additional Voluntary Contribution 'pots' as part of the Government's 'Freedom and Choice in Pensions' policy; and
- Technical amendments to provide clarifications that have been requested by practioners and to improve the operation of the regulations.

Currently, the Department for Community and Local Government are working on formal responses to the consultations.

Social media

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

Twitter **www.twitter.com/wypf_lgps**

Facebook **www.facebook.com/westyorkshirepensionfund**

Section 5
Financial Management and Performance

Financial Performance – analytical review

The following tables identifies movements in the Fund Account based on expenditure between 31 March 2016 and 31 March 2017 and provides reasons for variances. The full financial statements are within the Accounts section of this document (page 75).

Statutory Accounts Financial Performance – Table A

	31 Mar 2017	31 Mar 2016 Restated	Variance	Notes on significant variances
	£000	£000	£000	
Dealings with members, employers and others directly involved in the Fund				
Contributions receivable	382,610	372,724	9,886	Increased contributions due to increased number of members and employers
Transfers in	22,632	20,371	2,261	Increased number of new members transferring their existing pensions to WYPF
Non-statutory pensions and pensions increases recharged	22,667	23,475	-808	Reduction in the value of unfunded pension recharges to employers
Benefits payable	-472,524	-456,101	-16,423	Increased number of members in receipt of pension benefits
Non-statutory pensions and pensions increase	-22,667	-23,475	808	Payment of unfunded pensions recharged to employers
Payments to and on account of leavers	-20,129	-20,733	604	Reduction in values paid to leavers in 2016/17 is reflective of number of members leaving the Fund.
Management expenses	-10,278	-9,389	-889	Management costs now include Investment transaction costs, therefore 2015/16 figure has been restated

Statutory Accounts Financial Performance – Table B

	31 Mar 2017	31 Mar 2016 Restated	Variance	Notes on significant variances
	£000	£000	£000	
Returns on investments				
Investment income	341,464	314,619	26,845	Increased cash flow mainly from private equities
Taxes on income	-6,399	-3,538	-2,862	The increase in taxes on income is due to a reduction in withholding taxes repaid by overseas countries
Profit and loss on disposal of and changes in value of investments	2,180,570	-329,255	2,509,825	Restated 2015/16 due to transaction costs
Stock lending	3,404	3,008	396	Increased stock lending activities
Underwriting commission	0	49	-49	Commissions generated from new stock placement underwriting opportunities in 2015/16 n/a to 2016/17.
Net return on investments	**2,519,039**	**-15,117**		
Net (-) decrease / (+) increase in the net assets available for benefits during the year	**2,421,350**	**-108,245**		
Opening net assets of the Fund	**11,210,980**	**11,319,225**		
Closing Net assets of the Fund	**13,632,330**	**11,210,980**	**2,377,007**	

Five-year forecasts

The table below shows a five-year budget estimate and 2016/17 outturn figures for the Fund account.

Fund Account – Estimates & Actuals	2019/20 Estimate	2018/19 Revised Estimate	2017/18 Revised Estimate	2016/17 Estimate	2016/17 Outturn	2015/16 Outturn
	£000	£000	£000	£000	£000	£000
Dealings with members, employers and others directly involved in the Fund						
Contributions receivable	385,000	381,000	378,000	375,000	382,610	372,724
Transfers in	20,000	16,000	16,000	16,000	22,632	20,371
Other income	0	0	0	0	0	0
Non-statutory pensions and pensions increases recharged	20,000	22,000	22,500	23,000	22,667	23,475
Total income from members and employers	**425,000**	**419,000**	**416,500**	**414,000**	**427,909**	**416,570**
Benefits payable	-520,000	-515,000	-495,000	-475,000	-472,524	-456,101
Non-statutory pensions and pensions increase	-20,000	-22,000	-22,500	-23,000	-22,667	-23,475
Payments to and on account of leavers	-22,000	-20,500	-20,500	-20,500	-20,129	-20,733
Total payments to members	**-562,000**	**-557,500**	**-538,000**	**-518,500**	**-515,320**	**-500,309**
Management expenses	**-11,700**	**-11,500**	**-11,150**	**-8,185**	**-10,278**	**-9,389**
Returns on investments						
Investment income	385,000	365,000	345,000	325,000	341,464	314,619
Taxes on income	-3,500	-3,600	-3,500	-3,000	-6,399	-3,538
Profit and losses on disposal of and changes in value of investments	275,000	261,000	261,000	261,000	2,180,570	-329,255
Stock lending	3,000	3,000	3,000	3,000	3,404	3,008
Underwriting commission	0	0	0	0	0	49
Net return on investments	**659,500**	**625,400**	**605,500**	**586,000**	**2,519,039**	**-15,117**
Net increase in the net assets available for benefits during the year	**510,800**	**475,400**	**472,850**	**473,315**	**2,421,350**	**-108,245**
Opening net assets of the Fund	**14,535,737**	**14,060,337**	**13,587,987**	**11,210,980**	**11,210,980**	**11,319,225**
Closing Net assets of the Fund	**15,046,537**	**14,535,737**	**14,060,837**	**11,684,295**	**13,632,330**	**11,210,980**
% increase in net assets	**3.51%**	**3.38%**	**3.48%**	**4.22%**	**21.59%**	**-0.96%**

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

Management expenses forecast and outturn report

The table below gives the management cost forecast 2017/ 18 to 2019/20 and outturn figures for the year ending 31 March 2017.

	2019/20 Estimate	2018/19 Revised Estimate	2017/18 Estimate	2016/17 Revised Estimate	2016/17 Full Year Outturn	2016/17 Variance Outturn
	£	£	£	£	£	£
Expenditure						
Accommodation	310,000	304,000	291,000	287,000	291,388	4,388
Actuarial Costs	300,000	200,000	200,000	300,000	290,710	-9,290
Computer Costs	870,000	855,000	818,000	607,447	794,349	186,902
Employee Costs	7,000,000	6,890,000	6,584,000	6,173,789	5,857,135	-316,654
Internal Recharges from Bradford Council	360,000	360,000	350,000	396,890	347,130	-49,760
Printing and Postage	405,000	400,000	381,200	376,200	365,526	-10,674
Other Running Costs	1,660,000	1,640,000	1,570,300	1,458,781	1,186,517	-272,264
Transaction costs	2,500,000	2,500,000	2,500,000	0	2,502,673	2,502,673
Shared Service income	-1,550,000	-1,510,000	-1,448,000	-1,333,681	-1,191,309	142,372
Other Income	-150,000	-129,900	-120,600	-82,298	-166,291	-83,993
	11,705,000	**11,509,100**	**11,125,900**	**8,184,128**	**10,277,828**	**2,093,700**

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

The variance between the revised estimate 2016/17 and the outturn for 2016/17 is mainly as a result of the following:

- Employee costs are underspent against budget, which is due mainly to systems and process improvements and continuous improvement programmes, which has resulted in a managed reduction in staffing costs.
- Computer costs overspent as a result of reclassification of some investment cost from other running cost to ICT, additionally system improvements have incurred more ICT cost.
- Internal recharges from Bradford Council to West Yorkshire Pension Fund is underspent as a result of savings and efficiencies within the Council.
- Other running cost is mostly due to a reclassification of some Investment cost to ICT cost.
- Other income into the Fund is generated through work carried out by the Fund for IDRP work, Pension Sharing calculations and also some Fee income.
- Transaction cost relates to costs incurred through the purchasing and selling of assets within the West Yorkshire Pension Fund asset portfolio.

Participating employers

Analysis of employers summarised by type

There were 422 active employers at the end of the financial year. A total of 34 employers ceased their membership of the fund during the year, or they ceased membership as a school and subsequently converted to Academy status or joined Multi Academy Trusts

Employers	Active	Ceased	Total
Admitted body	158	13	171
Scheduled body	264	21	285
Total	**422**	**34**	**456**

Analysis of contributions received on time and late

The table below shows the value of pension contributions that have been received both on time and late. West Yorkshire Pension Fund receives contributions from around 422 employers every month with a total monthly value in excess of £32m. Contributions are due by the 19th of the month following the payroll month. Contributions received late were late by less than one month, therefore no statutory late payment interest was charged.

	Total	Received on time	Received on time	Received late	Received late
	£000	**£000**	**%**	**£000**	**%**
Employer contributions	271,661	271,112	99.8	549	0.2
Employee contributions	110,949	110,689	99.8	260	0.2
	382,610	381,801	99.8	809	0.2

Data Governance and Monthly returns

Since April 2014 all employers who participate in the fund have been required to submit a detailed monthly return to WYPF for staff who are active members in the fund. The information collected each month includes members' data and contribution payments made to the fund. The data is used to update members' records on the pension administration system and also as a means of reconciling contribution income received on a monthly basis. This has improved efficiency and removed the need for the year-end reconciliation process. The process has improved our data governance significantly.

Monthly Returns Performance Data	2016/17	%	2015/16	%
Number of returns expected in the year from all employers.	5,549	100.00	5,002	100.00
Number of returns received by 19 April	5,549	100.00	5,002	100.00
Number of returns not received by 31 May	0	0.00	0	
Returns processed within 10 working days.	4,773	86.02	4,121	82.39
Number of records on return.	1,194,762	100.00	1,132,356	100.00
Number of new member records set up using monthly return.	**17,852**	**1.49**	**17,375**	**1.53**
Number of leaver notifications processed using monthly returns	**11,036**	**0.92**	**8,514**	**0.75**

Employers who made contributions to the Fund during 2016/17

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Bradford Council	14.2	13,784	0	32,488,846	14,209,954
Leeds Council	13.6	21,132	3,938,432	59,763,945	25,376,309
Calderdale MBC	14.4	5,473	1,550,000	11,647,871	5,223,825
Kirklees Council	13.8	12,706	0	29,572,883	12,503,606
Wakefield MDC	14.0	7,257	4,500,000	19,246,354	8,621,710
Abbey Grange CE Academy	12.4	199	12,700	307,955	144,965
Abbey Park Primary Academy	12.8	39	0	36,134	16,197
Absolutely Catering Ltd (BGS)	21.3	3	0	6,473	1,734
Accord Multi Academy Trust (Horbury)	11.8	155	0	75,723	46,576
Accord Multi Academy Trust (Ossett)	11.8	92	0	90,482	46,079
Ackworth Parish Council	18.2	3	0	11,880	3,991
Action For Children (Bradford Council)	20.6	19	0	34,861	10,026
Active Cleaning Ltd (Crofton Academy)	23.7	8	0	4,982	1,156
Addingham Parish Council	20.0	2	0	2,619	720
Affinity Trust	NIL	11	0	0	18,784
Aireborough Learning Partnership Trust	13.6	356	32,820	454,707	198,752
Airedale Academy	14.0	223	0	318,808	151,589
All Saints CE Jnr School	14.4	36	0	27,914	10,942
Alwoodley Parish Council	19.6	1	0	1,482	416
Amey Community Ltd (BFD BSF Phase 1 FM Services)	7.5	8	0	8,060	6,295
Amey Community Ltd Bradford BSF Phase 2 Fm Services	14.2	18	0	32,017	13,742
Amey Community Ltd Phase 2 ICT Services	NIL	0	0	16,100	0
Amey Infrastructure Services Ltd (Wakefield)	4.2	8	0	49,261	17,316
Amey LG Ltd (Calderdale)	2.4	13	0	9,417	25,150
Appleton Academy	13.6	76	0	162,792	73,246
Aramark Ltd	23.9	10	0	30,912	5,423
Arcadis (UK) Ltd	21.0	28	0	66,687	21,273
Arts Council England	25.6	9	1,054,400	98,144	29,309
Aspens Services Ltd	12.6	6	0	8,397	3,922
Aspens Services Ltd (Appleton Academy)	22.8	11	0	5,538	1,347
Aspens Services Ltd (Leeds East Academy)	21.4	2	0	8,999	2,420
Aspens Services Ltd (Leeds West Academy)	19.2	6	0	9,395	2,733
Aspire Community Benefit Society Ltd	16.9	623	0	2,164,120	780,058
Aspire-I	21.1	15	68,500	133,868	57,485
B B G Academy	13.7	28	0	65,451	25,079
Bardsey Primary Foundation School	13.6	18	1,654	21,425	9,008
Barkerend Academy	18.2	46	4,900	66,961	22,954
Barnardos (Askham Grange Prison)	15.3	5	0	9,325	3,996
Barnardos (Bradford Childrens Centre BD5)	18.5	9	0	17,283	5,688

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Barnardo's (Leeds Portage)	12.0	1	0	2,536	1,436
Batley Girls Academy	12.8	130	2,100	214,136	101,277
Batley Grammar School	15.6	34	0	49,843	19,384
Beech Hill School	13.4	70	4,700	108,137	48,027
Beeston Primary Trust	13.6	62	6,415	83,087	34,769
Bell Lane Academy	20.3	30	3,600	50,668	14,360
Belle Isle Tennant Management	14.5	32	0	124,883	57,898
Belle Vue Girls Academy	14.4	5	46,200	70,107	29,338
Bid Services	13.7	1	0	3,156	1,497
Bingley Grammar School	14.2	63	0	159,647	79,690
Birstall Primary Academy	14.3	32	5,000	40,918	16,256
Bishop Wheeler Catholic Academy Trust	15.6	229	76,700	377,450	160,583
Blessed Christopher Wharton Academy Trust	20.1	117	7,100	113,393	32,117
Blessed Peter Snow CA Trust (Kirklees)	15.7	84	0	150,214	57,254
Blessed Peter Snow Catholic Academy Trust (Calderdale)	15.7	74	0	88,808	31,781
Bolton Brow Primary Academy	14.2	35	0	31,930	12,520
Boothroyd Primary Academy	13.6	70	0	102,686	42,862
Boston Spa School	13.6	62	9,505	336,649	67,830
Bradford Academy	13.3	164	0	298,407	143,734
Bradford Birth To 19 Trust	15.6	112	550	36,597	13,273
Bradford College	13.3	617	0	1,190,436	600,505
Bradford College Education Trust	3.4	1	0	1,394	2,787
Bradford Councillors	14.2	1	0	5,119	26,408
Bradford Diocesan Academies Trust	14.6	470	0	689,035	284,901
Bradford District Care Trust	NIL	0	0	543	974
Bradford District Credit Union	25.1	9	4,800	45,936	11,326
Bradford Studio School	8.9	0	0	592	385
Bradford University	17.0	618	0	2,391,957	817,008
Bradshaw Primary School	12.6	54	10,400	41,280	18,178
Bramley St Peter's C of E School	13.6	51	3,877	50,212	22,492
Brighouse Academy	13.9	90	7,600	170,173	86,713
Brighter Futures Academy Trust	14.5	86	10,900	98,627	38,756
Brigshaw Learning Partnership	18.6	231	9,100	244,077	77,215
British Gas Social Housing Ltd	20.0	1	0	4,057	1,408
Bronte Academy Trust (Haworth Primary School)	16.9	44	2,300	42,191	13,859
Bronte Academy Trust (Lees Primary School)	19.6	26	2,000	33,941	9,874
Bronte Academy Trust (Oakworth Primary School)	20.3	62	5,000	88,317	24,621
Brooksbank School Sports College	15.1	125	38,100	210,813	95,613
Bullough Contract Services (Bingley Grammar School)	24.6	3	800	3,301	496

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Bulloughs Contract Services (Leeds College Of Art)	24.5	4	0	6,377	1,331
Bulloughs Contract Services Ltd	15.8	3	0	1,980	578
Bulloughs Contract Services Ltd (Brighouse Academy)	14.8	5	0	3,168	1,177
Burnley Road Academy	15.9	35	1,700	36,550	12,987
Buttershaw Business & Enterprise College	14.2	15	0	61,560	22,548
Cafcass	15.8	1,578	3,583,600	9,130,965	4,305,486
Calderdale & Kirklees Careers	15.2	125	139,400	463,607	213,691
Calderdale College	12.7	325	50,700	611,609	318,810
Calverley C of E Primary School	13.6	39	2,660	34,458	14,444
Care Quality Commission	28.7	5	80,000	59,733	31,295
Carillion	16.3	9	2,400	19,111	7,002
Caroll Cleaning Company Ltd (Calderdale)	16.2	1	0	532	197
Caroll Cleaning Company Ltd (Wakefield)	19.2	1	0	923	292
Caroll Cleaning Company Ltd (Whetley)	14.1	4	0	1,813	776
Carroll Cleaning Co Ltd (Birkenshaw Primary School)	12.9	1	0	943	254
Carroll Cleaning Co Ltd (Bolton Brow Academy)	23.8	1	0	1,233	286
Carroll Cleaning Co Ltd (Holy Trinity Primary)	9.3	1	0	1,387	420
Carroll Cleaning Co Ltd (Lapage Primary School)	24.1	3	0	3,715	904
Carroll Cleaning Co Ltd (Lee Mount Primary School)	18.8	1	0	544	172
Carroll Cleaning Co Ltd (St Joseph's Bradford)	12.3	2	0	728	291
Carroll Cleaning Company Limited (Frizinghall)	18.0	4	0	1,672	612
Carroll Cleaning Company Limited (Thornbury)	21.9	3	0	1,834	492
Castle Hall Academy	13.9	56	13,220	93,260	46,735
Castle Hill Academy Trust	20.0	107	3,900	143,930	40,912
Castleford Academy	12.7	290	11,200	328,310	164,263
Cater Link Ltd (Crigglestone St James Primary Academy)	13.2	3	0	4,288	1,830
Catering Academy	21.3	2	0	882	336
Caterlink (Grove Lea Primary School)	22.22	3	0	3,437	491
Catholic Care	31.0	1	0	3,227	573
CBRE Managed Services Ltd	23.9	7	8,400	18,096	4,419
Chief Constable For West Yorkshire	11.0	4,006	0	11,451,983	6,849,568
Christchurch CE Academy	14.1	32	8,200	47,430	19,880
Churchill Contract Services (Bradford College Security)	21.0	0	0	1,902	525
Churchill Contract Services (Bradford College)	21.7	19	4,400	22,483	5,698

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Churhcill Contract Services (BBG Academy)	22.9	2	0	2,152	517
Clayton Parish Council	8.4	1	0	908	595
Coalfields Regeneration	16.1	9	0	57,931	29,056
Cockburn School Academy	16.5	94	16,600	291,508	90,633
Colne Valley High Academy	16.4	48	1,390	129,411	46,232
Community Accord	5.0	3	0	906	1,014
Compass (Radillion) Leeds PFI Schools	8.1	18	0	14,181	9,485
Compass Contract (Buttershaw School)	NIL	2	0	0	509
Compass Contract Services (Green Lane)	27.5	1	0	2,105	619
Compass Contract Services (SPTA)	21.3	6	0	11,571	3,013
Compass Contract Services (Uk) Ltd	17.0	8	0	17,054	6,078
Compass Contract Services (UK) Ltd (Chartwells)	17.6	2	0	2,809	912
Compass Contract Services (UK) Ltd (Minsthorpe Acad)	19.7	0	0	4,299	1,230
Compass Contract Services Ltd (Manor Croft)	20.8	8	0	12,454	3,332
Consultant Cleaners Ltd (WY Fire)	20.8	3	0	4,007	1,060
Co-Operative Academy of Leeds	11.7	237	0	361,212	180,165
Cottingley Primary Academy	17.3	21	5,400	48,437	16,691
Craft Centre & Design Gallery Ltd	6.4	4	0	4,259	4,122
Crawshaw Academy (Red Kite Learning Trust)	16.8	0	0	7,063	3,477
Creative Support Limited	NIL	10	0	0	16,828
Crescent Further Education Limited	3.5	16	0	16,605	33,068
Crigglestone St James CE Primary Academy	14.7	30	0	39,633	15,396
Crofton High Academy	15.2	70	0	95,005	36,510
Darrington C of E Primary School	15.6	20	0	52,781	6,034
David Young Community Academy	12.0	57	0	137,317	75,650
Deighton Gates Primary Foundation School	13.6	20	1,797	23,276	9,900
Denby Dale Parish Council	6.9	2	2,200	2,151	1,513
Diamond Wood Community Academy	13.4	45	1,100	70,955	30,959
Dixons Academies Charitable Trust	15.0	368	0	757,427	307,946
Ebor Gardens Primary Academy	14.3	51	4,000	76,575	30,388
Education Leeds Ltd	NIL	0	0	0	24,189
Elite Cleaning & Environmental Services Ltd	5.1	9	0	2,177	2,666
Engie Services Ltd	20.9	371	0	354,569	106,291
English Basketball	25.2	1	10,600	8,652	2,405
Exceed Academies Trust	12.8	145	0	75,549	34,151
Featherstone Academy	16.4	26	15,100	51,349	18,996
Featherstone All Saints C of E Academy	16.5	24	0	6,641	2,091
Feversham College Academy	12.2	111	3,900	122,728	62,343
Feversham Primaryacademy	8.1	35	0	21,021	14,780
Fieldhead Junior Infant & Nursery Academy	8.9	29	9,000	26,274	16,951


WESTGATE ARCADE
Shortys Newsagents
Stitch-Express
WESTERN UNION

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
First West Yorkshire	27.9	317	3,300,000	2,694,455	672,131
Fleet Factors (Limited)	4.0	1	0	900	2,421
Foxhill Primary School	14.2	33	0	45,191	18,165
Gawthorpe Community Academy	12.3	4	17,200	13,888	6,594
Golcar Junior Infants & Nursery School	13.8	41	0	11,602	0
Greenhead College	15.8	87	6,900	188,468	77,196
Greenvale Homes Ltd	NIL	0	0	0	20,504
Greetland Academy	13.6	65	0	57,918	30,041
Groundwork Wakefield	13.1	8	0	34,780	17,067
Halifax High	13.7	61	0	125,641	56,876
Halifax Opportunities	NIL	0	0	1,285	5,459
Halifax Opportunities Trust (Calderdale)	17.1	41	0	132,783	46,619
Hanson School	14.2	91	0	175,101	70,835
Harden Primary School	13.6	20	0	27,608	11,689
Havercroft Academy	16.1	26	0	41,791	14,735
Heath View Academy	13.5	45	1,720	51,451	21,542
Hebden Royd Town Council	10.2	18	7,000	19,390	11,454
Heckmondwike Grammar School Academy	15.5	87	0	172,080	76,997
Hemsworth Academy	14.7	102	0	191,465	77,491
Hemsworth Town Council	13.3	19	7,700	41,286	19,423
Hepworth Gallery Trust	15.0	2	0	14,455	8,690
High Crags Academy	17.0	43	6,100	75,088	27,068
Hill Top First School	14.2	33	0	37,423	14,997
Hipperholme & Lighcliffe High School Academy	NIL	7	0	-677	-285
Hollingwood Primary School	14.2	58	0	80,068	33,399
Hollybank Trust	25.7	15	3,600	96,747	25,231
Holme Valley Parish Council	14.8	1	0	4,458	1,958
Holy Trinity Academy	13.4	64	0	83,407	28,446
Home Farm Trust	NIL	13	0	0	16,673
Honley High School	13.8	68	0	0	0
Horbury Academy	14.6	7	22,600	70,168	31,435
Horbury Bridge CE J & I School	11.3	20	4,000	18,019	9,214
Horsforth School Academy	14.8	75	37,900	166,958	70,714
Horsforth Town Council	19.1	2	0	6,508	1,459
Horton Housing Association (Bradford)	17.2	4	0	9,907	3,648
Horton Housing Association (CSL)	13.8	8	0	20,113	9,867
Horton Housing Association (OPHRS)	7.9	1	0	1,628	1,204
Huddersfield New College	14.5	100	0	218,130	84,519
Huddersfield University	11.5	2,635	842,500	3,407,234	2,030,360
Hugh Gaitskell Primary School Trust	13.6	65	6,030	78,097	32,223
I S S Facilities Services Ltd	19.4	10	0	14,525	5,512
I S S Mediclean Ltd	22.5	289	0	216,713	63,144

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Igen	23.9	13	203,800	87,489	23,705
Igen Ltd	NIL	0	0	17,089	1,167
Ilkley Grammar School Academy	15.1	90	3,100	203,625	67,707
Ilkley Parish Council	10.6	4	2,900	3,859	2,055
Incommunities	13.1	937	0	4,440,359	1,597,850
Initial Catering Services	15.0	10	0	13,737	5,130
Initial Facilities Management Ltd	11.3	6	0	9,764	5,167
Inspire Partnership Multi Academy Trust	12.3	60	0	53,502	25,398
Interserve (Facilities Management) Ltd	15.8	35	0	53,524	19,161
Interserve (FM) Ltd (P.C.C For West Yorkshire)	21.8	8	3,200	23,264	5,972
Interserve Academies Trust Ltd (Crawshaw Academy)	12.4	44	42,000	86,930	54,197
Interserve Project Services Ltd	9.5	17	0	22,399	14,241
Iqra Academy	10.9	51	0	61,081	25,812
Jerry Clay Lane Academy	16.3	28	0	39,285	13,624
John Smeaton Academy	12.3	41	0	80,719	41,538
Joseph Norton Academy	20.0	35	1,200	80,755	20,731
Keelham Primary School	14.2	21	0	22,050	8,817
Keepmoat Property Services Ltd	15.4	3	0	8,427	3,174
Keighley Town Council	13.5	5	5,300	10,772	4,018
Khalsa Science Academy	6.2	11	0	3,893	3,544
KIDS	24.9	1	0	4,708	1,229
Killinghall Primary School	14.2	72	0	101,892	40,957
King James School	12.4	52	30,100	84,758	41,424
Kirkburton Parish Council	16.3	2	0	4,477	1,756
Kirklees Active Leisure	7.5	747	0	439,492	348,911
Kirklees College	12.9	588	0	1,181,637	563,511
Kirklees Councillors	13.8	2	0	1,996	793
Kirklees Neighbourhood Housing	9.7	892	0	1,662,532	1,118,757
Knottingley St Botolphs C of E Academy	15.4	43	0	50,487	18,722
Lady Elizabeth Hastings	13.6	15	1,199	15,536	6,477
Laisterdyke Leadership Academy	17.9	59	8,900	143,758	47,195
Lane End Primary Trust	13.6	25	2,337	30,275	12,670
Learning Accord Multi Academy Trust	20.0	0	0	5,649	2,418
Leeds Beckett University	11.8	1,646	654,500	4,588,817	2,705,547
Leeds Cc Councillors	13.6	0	370	4,787	22,209
Leeds Centre For Integrated Living	13.9	22	0	53,075	34,114
Leeds Citizens Advice Bureau	15.4	45	12,900	137,749	57,156
Leeds City Academy	18.4	31	2,200	89,676	29,630
Leeds City College	13.2	648	27,900	1,647,370	719,288
Leeds College of Art & Design	11.9	114	0	287,959	167,351
Leeds College of Building	12.6	207	0	415,783	207,054
Leeds College of Music	10.7	251	44,600	476,618	362,012

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Leeds East Primary Partnership Trust	13.6	175	13,995	181,216	75,437
Leeds East-North East Homes	NIL	1	0	117,896	5,288
Leeds Grande Theatre & Opera House	15.5	124	0	246,516	98,552
Leeds Groundwork Trust	15.1	1	3,900	12,425	6,810
Leeds Housing Concern	NIL	8	0	0	11,318
Leeds Institute for the Blind	5.7	5	0	6,035	6,621
Leeds Jewish Free School	20.0	1	0	1,994	482
Leeds Metropolitan University	NIL	8	-1,000	0	0
Leeds Mind	14.7	19	8,000	64,483	29,599
Leeds North West Education Partnership	13.6	202	25,152	336,371	143,929
Leeds Racial Equality	NIL	0	-8,600	707	0
Leeds Trinity University College	15.7	311	0	1,017,799	433,553
Leeds West-North West Homes	NIL	2	0	66,208	0
Leodis Academies Trust	15.6	231	0	389,654	147,786
Liberty Gas Group Ltd	1.3	0	0	173	864
Lidget Green Community Co-Operative Learning Trust	14.2	70	0	99,428	40,114
Lightcliffe CE J&I School	14.4	49	0	48,307	18,982
Lighthouse School	8.1	32	4,300	31,815	22,345
Lindley C E Infant Academy	18.0	39	0	53,407	17,062
Lindley Junior School Academy	15.2	37	0	44,992	16,847
Locala	19.4	5	0	12,884	10,780
Longroyde Junior School	14.4	72	0	59,974	23,730
Lpm Cleaning Ltd	13.9	2	0	2,933	1,314
Luddendenfoot Academy	NIL	1	0	-28	-10
Making Space	NIL	3	0	0	3,934
Manston St James Academy	15.2	30	10,700	45,872	17,066
Mast Academy Trust	17.9	91	0	49,989	15,211
Mears Facilities Services (South)	12.8	35	0	144,730	73,422
Mears Facilities Services (West)	14.6	15	0	70,088	31,179
Mears Ltd	16.5	5	44,200	21,273	8,091
Mellors Catering Services (Southfield Grange)	16.5	4	0	9,760	3,322
Meltham Town Council	10.2	1	0	1,050	597
Menston Parish Council	19.0	1	0	837	242
Merlin Top Primary Academy	16.9	34	0	57,917	19,585
Micklefield Parish Council	9.2	1	0	1,402	884
Middleton Primary School Trust	13.6	71	8,395	108,730	47,612
Minsthorpe Academy Trust	12.7	124	16,200	236,394	112,334
Mirfield Free Grammar Academy	12.7	114	19,900	244,494	103,492
Mitie (PFI Ltd)	14.6	8	0	14,399	6,015
Mitie Pest Control	23.7	1	0	3,994	1,157
Moor End Academy Trust	12.9	112	0	174,313	77,837

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Morley Town Council	NIL	1	0	0	1,072
Mount Pellon Primary Academy	13.5	83	0	79,360	33,048
Myrtle Park Primary School	14.2	24	0	38,988	15,875
N I C Services Group Ltd (Cookridge Holy Trinity School)	17.8	1	0	844	237
National Assembly For Wales	36.4	1	0	23,141	4,485
National Coal Mining Museum	15.8	81	0	206,478	103,769
New College Pontefract	13.8	72	24,700	170,639	75,149
Nic Services Group Ltd	28.4	1	0	1,639	317
Normanton Town Council	6.4	5	0	4,429	4,352
North Halifax Grammar Academy	15.0	64	0	122,830	58,962
North Halifax Partnership Ltd	15.6	39	0	109,236	40,650
North Huddersfield Trust School	13.8	68	0	0	0
North Kirklees CAB	10.7	6	0	12,864	7,523
Northern School Of Contemporary Dance	8.3	32	0	35,499	43,035
Northorpe Hall Trust	13.9	3	0	10,143	4,559
Notre Dame 6th Form College	11.8	53	0	121,186	66,623
Nps (NE)	2.3	2	0	7,034	24,679
Nps Leeds Limited	6.8	16	0	43,125	46,798
Oakbank School	14.2	9	0	92,958	39,662
Oakworth First School	14.2	1	0	19,245	7,667
Oasis Academy Lister Park	11.8	67	0	183,720	50,345
Ofsted	20.3	1	0	7,848	2,629
Old Earth Academy	13.5	77	7,600	75,366	32,155
One In A Million Free School	12.3	19	0	32,586	15,481
Open College Network YHR	30.1	3	0	30,188	7,441
Ossett Academy & 6th Form College	11.8	20	46,600	66,388	32,239
Ossett Pension (Trust)	14.0	95	0	147,377	62,277
Otley Town Council	13.5	6	8,100	15,045	7,137
Our Lady Of Victories Catholic Primary Academy	15.9	34	1,800	64,087	25,692
Outwood Grange Academy	12.5	206	39,500	373,883	190,029
Outwood Primary Academy Kirkhamgate	15.6	34	0	32,771	12,215
Outwood Primary Academy Ledger Lane	12.2	41	0	36,935	17,030
Outwood Primary Academy Lofthouse Gate	15.4	50	0	49,697	18,170
Overthorpe C of E Academy	13.2	56	10,100	67,807	28,522
Park Lane Learning Trust	14.4	37	0	75,990	31,744
Pennine Housing 2000 Limited	NIL	4	0	0	2,292
Pinnacle Business Services (Leeds)	16.3	17	0	26,308	9,334
Pinnacle Ltd (Kirklees)	9.8	3	0	3,144	2,001
Pontefract Academies Trust	15.4	473	0	623,567	236,376
Pontefract Education Trust	14.0	47	0	52,229	21,153
Pool Parish Council	16.7	1	0	1,665	548


ALHAMBRA
ALHAMBRA
ALHAMBRA

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Priesthorpe School Trust	13.6	108	15,943	210,186	90,922
Priestley Academy Trust	20.0	146	0	69,117	22,431
Primrose Lane Primary Foundation School	13.6	37	2,634	34,111	14,512
Prince Henrys Grammar	13.3	73	23,300	143,893	64,490
Prospect Services	NIL	3	0	0	3,244
Prospects Services (Bradford 3)	24.4	2	0	4,895	1,577
Prospects Services Ltd 2012 (Bradford)	18.3	2	14,400	130,322	12,631
Prov Compass Contract Services (Spta)	22.6	3	0	7,348	1,783
Prov Kinsley Academy	18.8	40	7,000	61,836	15,292
Prov TNS Catering (SPTA)	22.8	9	0	20,069	4,932
Prov TNS Catering Man Ltd (St Botolphs)	18.4	3	0	3,682	1,101
Pudsey Grangefield Trust	13.6	55	8,005	103,683	46,019
Rainbow Primary Free School	8.9	27	1,700	14,981	10,071
Rastrick High School Academy Trust	12.4	83	0	150,274	73,902
Rawdon Parish Council	13.2	1	0	1,413	589
Reevy Hill Primary School	17.5	23	800	20,753	6,987
Ridge Crest Cleaning Ltd	21.0	1	0	1,062	280
Ripon Diocesan C of E Council for Social Aid - Cardigan House	20.5	8	7,000	38,058	12,573
Ripon House	17.3	8	0	39,181	10,038
Rm Education Plc	4.2	2	0	1,581	2,016
Rodillian Academy	14.4	38	25,900	130,248	61,720
Rooks Nest Academy	15.4	63	5,300	79,037	29,643
Rothwell Church Of England Primary Academy	20.1	11	470	31,877	9,098
Royds Community Association	28.6	2	0	41,520	7,521
Royds Hall Trust School	13.8	130	0	0	0
Royds Learning Trust	13.6	48	8,741	115,075	51,754
Russell Hall First School	14.2	30	0	32,914	14,503
Ryburn Valley Academy	14.3	82	6,500	145,410	60,569
Ryecroft Primary Academy	15.0	28	3,200	50,356	18,733
Ryhill Parish Council	11.2	1	0	736	361
Salendine Nook Academy Trust	12.2	60	0	110,564	54,592
Salterlee Academy Tust	10.2	22	2,400	10,290	5,552
Samuel Lister Academy	15.3	61	45,300	130,268	51,567
Sandal Magna Community Academy	13.1	38	0	41,500	18,355
School Partnership Trust Academies	12.3	647	0	905,299	444,636
Schools Lettings Solutions (Freeston Academy)	8.8	1	0	760	466
Scout Road Academy	14.6	25	600	23,044	9,540
Sea Fish Industry	18.7	39	0	271,495	112,205
Servest BBG Academy	22.9	5	0	9,617	2,929
Shanks Waste Management Ltd	14.4	17	0	56,555	26,037

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Share Multi Academies Trust	14.5	178	16,400	311,502	128,938
Shibden Head Primary Academy	13.8	39	9,600	41,677	16,940
Shipley College	13.3	200	15,900	308,161	157,382
Shirley Manor Primary Academy	12.5	30	950	34,251	13,831
Sita UK Ltd	6.7	0	0	12,310	6,404
Sitlington Parish Council	20.0	3	0	5,040	1,444
Skills For Care	17.9	67	1,000,000	503,622	226,550
South Elmsall Town Council	9.4	2	3,300	5,778	3,998
South Hiendley Parish Council	8.9	1	0	639	468
South Kirby & Moorthorpe Town Council	15.0	26	0	55,985	22,030
South Leeds Academy	12.4	4	0	0	0
South Osset Infants	17.8	20	3,100	24,594	7,925
Southern Electric	15.5	15	12,600	71,551	31,056
Southfield Grange Trust	14.1	238	0	457,693	198,486
Southmere Primary Academy	12.6	53	1,320	73,349	32,796
Southway at the Rodillian Academy Ltd	15.3	8	930	25,577	10,096
Spen Valley Foundation Trust	13.8	253	0	0	0
Spie Ltd	6.0	21	0	13,221	12,774
Springwell Academy Leeds	18.3	66	4,100	150,145	48,329
St Annes Catholic Primary Academy	18.1	35	2,000	62,942	23,686
St Annes Community Services	17.8	365	253,000	1,330,454	465,316
St Annes Community Services (Bradford)	NIL	10	0	0	17,346
St Chads C of E Primary School	14.4	41	0	33,273	13,094
St Giles Church of England Academy	12.7	35	0	37,931	16,743
St Helens CE Primary Academy	13.9	27	0	31,642	13,198
St John's (CE) Primary Academy Trust	14.0	38	7,000	40,595	16,667
St Johns CE Primary School	14.2	73	0	84,829	34,549
St Johns Hostel	18.9	18	21,000	86,567	27,902
St Johns Primary Academy Rishworth	16.3	11	2,600	19,792	6,972
St Michael & All Angels School	14.4	42	0	42,654	16,645
St Michaels CE Academy	16.5	58	0	92,500	32,446
Suez Recycling And Recovery UK Limited	22.4	13	0	14,097	13,535
Swallow Hill Community College Academy	13.2	34	0	79,173	33,935
Taylor Shaw	7.8	5	0	3,810	2,731
Taylor Shaw Ltd (Batley Girls High School)	15.6	6	0	5,936	2,093
Taylor Shaw Ltd (Fieldhead Grimes Manston)	19.5	5	0	8,132	2,294
Taylor Shaw Ltd (Parklands Primary)	13.4	3	0	2,571	1,055
Taylorshaw Ltd (Cookridge Holy Trinity School)	23.1	3	0	6,477	1,594
Taylorshaw Ltd (Crossgates Beechwood Whitelaith)	17.7	7	0	5,549	1,785
Taylorshaw Ltd (Interserve Crawshaw)	20.3	5	0	11,652	3,373
Taylorshaw Ltd (Swarcliffe Primary School)	20.2	4	0	5,782	1,574

Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Temple Learning Academy	20.0	13	0	22,772	7,014
The Anah Project	8.1	1	0	4,288	2,700
The Beckfoot & Hazelbeck Academy Trust	13.9	489	0	702,199	299,269
The Bishop Konstant Catholic Trust	14.0	535	46,400	619,350	259,981
The Cathedral C of E	10.7	61	0	101,304	59,634
The Crossley Heath Academy Trust	13.8	87	15,800	120,955	53,149
The Freeston Academy	14.5	58	9,100	106,567	44,558
The Gorse Academies Trust	12.9	616	0	749,602	348,806
The John Curwen Co-Operative Primary Academy	18.1	26	3,800	69,208	22,861
The Lantern Learning Trust	13.6	217	21,126	273,613	114,356
The Maltings Learning Trust	10.1	0	0	3,356	2,018
The Police & Crime Commissioner For West Yorkshire	11.0	92	0	316,460	213,897
Thornbury Academy	14.9	55	3,900	89,439	35,107
Thornhill Community Academy	12.3	72	28,800	132,810	65,669
Thornhill Junior and Infant School	19.7	43	1,100	45,460	13,166
Thornton Grammar School	14.2	18	0	86,219	35,655
Thornton Primary School	20.0	48	0	14,532	4,778
Todmorden Town Council	17.9	2	0	8,050	3,960
Together Housing Association Ltd (Greenvale)	15.1	96	7,300	382,243	161,061
Together Housing Association Ltd (Pennine)	14.0	445	89,800	1,472,452	705,526
Tong High School	14.2	15	0	304,681	82,568
Tong Leadership Academy	14.4	96	0	83,253	33,658
Trinity Academy Halifax	11.4	221	24,600	267,280	143,281
Turning Point	NIL	3	0	0	3,084
Turning Point (Wakefield)	14.8	1	0	6,416	2,948
United Response	NIL	9	0	0	12,047
University Academy Keighley	14.2	80	0	131,821	55,522
University Technical College Leeds	20.0	8	0	15,423	4,861
UPP Residential Services	10.5	0	0	197	85
Victoria Primary Academy	17.8	76	7,500	94,616	30,250
Wakefield & District Housing	13.1	1,392	0	4,801,838	2,462,384
Wakefield City Academy	15.0	56	0	219,149	105,827
Wakefield College	12.9	416	0	722,354	360,831
Wakefield Councillors	14.0	0	0	4,361	1,869
Waterton Academy Trust	19.0	253	1,900	347,309	106,270
West End Academy	12.4	33	0	34,562	15,513
West Vale Primary School	14.4	26	0	32,586	12,865
West Yorkshire Combined Authority	13.5	459	1,086,600	1,720,503	982,106
West Yorkshire Police	NIL	0	0	0	5,192
Westborough High School	13.8	63	0	2,374	0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Employer Name	Employer Rate	Number of Active Members	Contribution to reduce deficit	Employer Contributions	Employee Contributions
	%		£	£	£
Westwood Primary School Trust	13.6	29	2,972	38,490	15,972
Wetherby Town Council	17.8	7	0	18,564	15,052
Whitehill Community Academy	14.9	121	3,700	127,184	50,797
William Henry Smith School	20.8	79	33,900	281,475	85,152
Wilsden Primary School	20.0	50	0	10,085	3,554
Wolseley UK Ltd	22.9	1	0	6,904	1,960
Woodhouse Grove School	29.1	2	43,000	21,603	4,643
Woodkirk Academy	NIL	1	3,400	0	0
Woodside Academy	11.9	91	8,100	81,198	40,230
Worth Valley Primary School	16.8	38	700	19,666	6,748
WRAT - Leeds East Academy	14.1	47	7,900	93,339	40,162
WRAT - Leeds West Academy	12.2	80	8,300	165,587	86,529
WY Fire & Rescue	14.1	316	74,300	1,044,940	511,300
WY Magistrates Court Service	NIL	0	0	0	4,988
Yorkshire Housing Ltd	14.9	2	0	7,008	2,323
Yorkshire Museums	NIL	0	0	0	2,647
YPO	11.9	495	0	1,475,501	823,384
Total		**101,881**	**24,061,308**	**247,599,831**	**110,948,717**

Benefits paid

West Yorkshire Pension Fund pays almost 111,900 pensioners and beneficiaries with a gross pension payroll in excess of £45m each month for West Yorkshire members and shared services members. Only West Yorkshire Pension Fund members are charged to the account in the financial statements.

Shared service provision

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

- Lincolnshire Pension Fund
- Lincolnshire County Council Fire
- West Yorkshire Fire & Rescue Authority
- North Yorkshire Fire & Rescue Authority
- Humberside Fire & Rescue Authority
- South Yorkshire Fire & Rescue Authority (the fund provides the administration Function only)
- Royal Berkshire Fire & Rescue Authority
- Buckinghamshire & Milton Keynes Fire & Rescue Authority

The combined shared service membership for the 2016/17 financial year is shown in the following table.

	Active	Pensioners	Beneficiaries	Deferred	Undecided	Frozen	Total
WYPF	101,881	74,630	11,704	83,763	5,768	7,074	284,820
Lincolnshire LGPS	24,852	16,795	2,417	26,907	3,271	1,970	76,212
Lincolnshire Fire	660	273	60	351	54	27	1,425
West Yorkshire Fire	1,095	1,995	319	198	5	3	3,615
North Yorkshire Fire	631	473	83	180	33	–	1,400
Humberside Fire	744	838	126	172	7	2	1,889
South Yorkshire Fire	594	1,097	174	84	3	13	1,965
Royal Berks Fire	452	418	47	133	6	1	1,057
Bucks and MK Fire	439	360	62	221	5	4	1,091
Total	**131,348**	**96,879**	**14,992**	**112,009**	**9,152**	**9,094**	**373,474**

Pension overpayment

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

Overpayments	2016/17	2015/16	2014/15	2013/14
	£000	£000	£000	£000
Annual payroll	370,147	357,890	342,087	327,405
Overpayments	315	320	237	67
Overpayments written off	17	4	17	11
Overpayments recovered	217	102	96	59

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

	2016/17		2015/16		2014/15		2013/14	
Analysis of overpayments	**No. of payments**	**%**	**No. of payments**	**%**	**No. of payments**	**%**	**No. of payments**	**%**
Number of pensions paid during reporting period	1,036,008		995,592		985,776		949,128	
Number of cases overpaid	479	0.05	355	0.04	333	0.03	198	0.02
Number of cases written off	18	0.00	7	0.00	27	0.00	18	0.00
Number of cases recovered	332	0.03	177	0.02	201	0.02	173	0.02

Fraud Prevention – National Fraud Initiative

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

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

Pensioners, beneficiaries and deferred members	No of record sent	No of mismatches		Overpayments identified		Possible Frauds	mismatches carried forward at 31 March
2016/17	224,122	1,425	0.64%	5	0.00%	4	5
2015/16	219,313	868	0.40%	61	0.03%	3	10
2014/15	159,928	656	0.41%	25	0.02%	0	5
2013/14	154,616	1,456	0.94%	82	0.05%	3	8

Internal audits completed during 2016/17

The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Council. Each year a number of audits are performed on financial systems and procedures across the organisation as agreed in advance with the West Yorkshire Pension Fund management. Listed below is a summary of reviews that were carried out during the financial year 2016/17.

Annual Benefit Statements

All active members of West Yorkshire Pension Fund receive an Annual Benefit Statement, this provides a number of pension details which demonstrate the value of their current benefits calculated from information provided by the member's employer on their monthly returns. No issues were identified during the course of this audit.

Local Government Scheme Contributions

This audit looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was largely as expected with two suggested actions for improvement provided.

Transfers In

This work looked at individuals who had built up previous pension benefits in their former employments and now wished to amalgamate them with their new West Yorkshire Pension Fund contributions. The standard of control in this area was found to be of a good standard, however, a recommendation was made to improve the accuracy of the relevant transfer in dates and the quality control checking process.

Review of the West Yorkshire Pension Fund 2015/16 Accounts

This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.

Purchase of Additional Pension

Active members of the West Yorkshire Pension Fund are able to choose to increase their future pension benefits by purchasing additional pension to a maximum amount of £6,755 over a flexible number of years. The standard of control of risks in this process was found to be good, however, a recommendation was made as a result of an error identified which should ensure future accuracy of the process.

New Pensions and Lump Sums – Death Benefits

This audit examined the calculation of death benefits following the death of an active/deferred member or pensioner. The control environment for this process was found to be excellent.

Fund of Hedge Funds

At the time of the audit, the Fund of Hedge Funds made up approximately 2% of the investment portfolio. The control of risks in this process were largely as expected and therefore of a good standard.

UK and Foreign Private Equity Funds

Control of this asset class was found to be satisfactory, however, a recommendation was made to improve control over electronic communication and the independent verification of cash flow statements to WYPF records. This audit looks to ensure that investments are made in compliance with the decisions of the Investment Advisory Panel and in accordance with

WYPF Policies. No issues were identified with this process which was therefore deemed to be excellent.

Equities

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

Treasury Management

This audit reviewed the arrangements in place for treasury management, to ensure that surplus cash is invested in the most appropriate ways. Controls in this area were found to be excellent.

Direct Property

The investment in Direct Property was examined for the first time, as this is a relatively new asset class in the WYPF investment portfolio. The control environment was deemed to be of a good standard with a suggested action being provided for future improvement.

Follow Up Audit- Reimbursement of Agency Payments

A follow up of the Reimbursement of Agency Payments audit, carried out in 2015, was undertaken to determine the level of implementation of outstanding agreed High Priority recommendations. The result of this process was deemed to be excellent with High Priority recommendations from the original audit found to have been fully implemented.

ISO 9001:2008

WYPF is an ISO 9001:2008 accredited service provider. All our services are quality assured using rigorous quality management systems, and assessed by external assessors twice a year. WYPF first achieved accreditation in 1994 and we have successfully maintained this accreditation since.

The purpose of the ISO 9001:2008 certification is to ensure that WYPF provides quality Local Government Pension Scheme services to employers, members and beneficiaries within the scope of Local Government Pension Scheme Regulations and the Firefighters' Pension Scheme Order.

WYPF quality policy

We will provide an efficient and effective service to all our scheme members by responding quickly to requests for information and advice.

We will provide an efficient and effective service to all beneficiaries i.e. current pensioners, dependants and deferred members and receivers of early leavers benefits by paying correct benefits on time.

We will provide an efficient and effective service to all employers whose employees participate towards pension scheme administered by WYPF, responding quickly to requests for information, advice and training as well as providing detailed guidance on the implications of any new legislation affecting the scheme.

Quality management system

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

These include:

- Having procedures in place for dealing with customer complaints and faults, and ensuring the appropriate corrective and preventative actions are taken.

- Conducting internal quality audits to ensure quality is maintained and to identify improvements.
- Monitoring our processes to obtain statistical data on our efficiency in calculating and paying pensions, so we can ensure benefits are paid on time.
- Surveying customers about their experience of our service
- Holding regular service review meetings to review service performance and quality issues

Management and Customer Service Key Performance Indicators

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

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

Work type	Total cases	Target days	Target cases met	KPI target	Actual KPI
Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,036,008	Due days	1,036,008	100	100.00
Transfer In Quote	618	35	596	85	96.44
Transfer In Payment Received	372	35	328	85	88.17
Divorce Quote	670	35	644	85	96.12
Refund Quote	2,690	35	2,418	85	89.89
Refund Payment	2,020	10	1,999	95	98.96
Transfer Out Quote	775	35	714	85	92.13
Transfer Out Payment	167	35	153	85	91.62
Pension Estimate	7,961	10	6,623	75	83.19
Retirement Actual	3,482	3	3,282	90	94.26
Deferred Benefits Into Payment Actual	2,582	5	2,402	90	93.03
Death Grant Single Payment	852	5	844	90	99.06
Change of Address	13,096	5	12,787	85	97.64
Life Certificate Received	20,995	20	20,675	85	98.48
Payroll Changes	3,634	5	3,553	90	97.77
Change to Bank Details	1,903	5	1,855	90	97.48
Death in Retirement	2,750	5	2,555	85	92.91
Retirement Quote	3,706	10	3,497	85	94.36

Cost per member

The latest published data (2015/16) for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £14.45, the 9th lowest cost amongst 89 LGPS funds and well below the national average of £27.11.

WYPF has the lowest total cost per members (administration, investment and oversight & governance) at £28.38, the national average for LGPS in 2015/16 is £217.52.

The 2016/17 annual cost of administering the West Yorkshire Pension Fund per member is £13.70, investment management cost per member is £10.74, oversight and governance cost per member £2.94 and the total management cost per member is

£27.38. These figures compares favourably with the average cost for authorities in the DCLG –SF3 results for 2015/16 as shown in the table below:

Cost per member 2015/16	Position	West Yorkshire Pension Fund	LGPS Average	LGPS Lowest	LGPS Highest
Administration	9th	£14.45	£27.11	£7.27	£59.84
Investment	1st	£11.49	£177.86	£11.49	£536.46
Oversight & Governance	13th	£2.58	£12.55	£0.55	£82.02
Total cost per member	1st	£28.38	£217.52	£28.38	£591.65

*LGPS figures are from DCLG SF3 2015/16 data set.

Staff numbers and trends

	2012/13 FTE	2013/14 FTE	change %	2014/15 FTE	change %	2015/16 FTE	change %	2016/17 FTE	change %
Service centre staff	71.2	54.3	-23.7	56	3.1	64.8	15.7	61.4	-5.2
Payroll	11.2	15.1	34.8	14.6	-3.3	16.6	13.7	15.6	-6.0
ICT/UPM staff	4.2	7.6	81.0	7.7	1.3	7.8	1.3	7.8	0.0
Finance Staff	3	7.2	140.0	7.7	6.9	8.4	9.1	8.0	-4.8
Business support staff	10.7	10.8	0.9	9.2	-14.8	9.2	0.0	12.7	38.0
Technical	3	3.9	30.0	4	2.6	4	0.0	4.3	7.5
Total	**103.3**	**98.9**	**-4.3**	**99.2**	**0.3**	**110.8**	**11.7**	**109.8**	**-0.9**

Membership trends over a 5 year period

The membership in the Fund continues to grow, with a total membership including undecided leavers and frozen refunds of 284,820 as at 31 March 2017. Active members are employed by 422 separate organisations. The number of active members continue to increase as a result of auto enrolment.

Membership category (at 31st March each year)	2016/17	% change	2015/16	% change	2014/15	% change	2013/14	% change	2012/13
Active Members	101,881	0.9	100,927	3.5	97,548	3.7	94,056	3.3	91,072
Pensioners	74,630	4.1	71,675	0.7	71,189	4.1	68,358	4.9	65,177
Beneficiaries	11,704	3.7	11,291	3.0	10,959	2.1	10,736	2.2	10,504
Deferred pensioners	83,763	2.0	82,154	5.6	77,780	3.0	75,522	7.1	70,493
Undecided leavers	5,768	-15.4	6,817	13.8	5,988	125.5	2,655	-20.4	3,337
Frozen refunds	7,074	16.2	6,087	14.5	5,316	1.6	5,234	6.0	4,936
Total	**284,820**	**2.1**	**278,951**	**3.8**	**268,780**	**4.8**	**256,561**	**4.5**	**245,519**

Membership category (at 31st March each year)

Admissions to the Fund

Employees joining the Fund were as follows.

	As at 31 Mar 2017	As at 31 Mar 2016
Employees joining with no previous service	19,366	23,161
Employees with transfers from:		
other local government funds	26	3
other pension schemes	143	110
Totals	**19,535**	**23,274**

Withdrawals from the Fund

Benefits awarded to members leaving employment were as follows.

	As at 31 Mar 2017	As at 31 Mar 2016
Members awarded immediate retirement benefits	2,897	2,882
Benefits awarded on death in service	105	98
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	6,206	6,366
Totals	**9,208**	**9,346**

Section 6
Investment Report

Investment Advisory Panel – operational review

This is a review of the activities of the WYPF Investment Advisory Panel for the financial year 2016/2017. This report provides a summary of the investment market conditions that formed the backdrop to the investment advisory panel operations and highlight some of the investment decisions made. The report will cover other aspects of the panel's work, including the appraisal of submissions on pooling assets prepared for Government. The report also covers the review meetings with external investment managers running assets on behalf of the scheme and other governance related activities carried out during the period.

Panel meeting April 2016 – Market review

The previous financial year ended with turbulent and volatile asset markets. Global equities fell by over 10% from the beginning of the year until mid-February. Once again fears over the Chinese economy, the path of monetary tightening in the US and renewed weakness in Oil prices were the proximate drivers of increased risk aversion and nervousness amongst investors. Terrorist attacks on mainland Europe and a deteriorating situation in Syria added geo-political concerns to the economic ones. Oil prices had fallen extremely sharply and although stabilized had not shown any significant recovery. The uncertainty over the upcoming UK 'Brexit' referendum was now affecting both sentiment and Sterling based assets prices. It was against this backdrop that the panel considered the allocation of new cash flow into the scheme when meeting for the first time in the new financial year.

After hearing detailed reports on the major equity and bond markets and noting the transactions carried out in the previous quarter by members of the internal investment team, the panel reviewed recommendations for investing new cash flow over the coming quarter. All decisions are based on input from the individual internal investment teams and external advisors. The economic and geopolitical conditions affecting investment markets are considered, as is the current positioning of the portfolio against its strategic customised benchmark. At the time of the April meeting all Sterling assets were being affected by the up coming referendum on the UK's membership of the European Union. In particular pre 'Brexit' nerves disproportionally affected UK equities. Elsewhere markets remained nervous, Japan had moved towards negative interest rates in an attempt to weaken the Yen and boost exports, however this policy had failed to deliver the desired result putting in jeopardy the planned sales tax rise and other economic reforms. In Europe concerns over Greece re-emerged and political developments in Austria and Spain caused increased nervousness. Markets needed further ECB quantitative easing before staging a muted recovery, which was helped by the US Federal reserve postponing the much anticipated rate rise. Given this uncertain background it was decided that a proportion of the new cash flow coming into the fund would be left unallocated until such time that the visibility on the many investment risks become clearer. However it was acknowledged that specific UK equity opportunities were emerging as a result of often indiscriminate 'Brexit' concerns affecting company share prices unlikely to be impacted negatively whatever the referendum outcome. A proportion of the new cash flow was directed into these equities. The remaining new cash flow was set aside to meet expected net outflows to private equity investments.

Stock lending, Governance and Custodian review

It is normal practice for the panel receive a report on the operational controls of HSBC Securities Services, who act as custodian to the schemes assets during the April meeting. The ISAE 3402 assurance report on controls provided by HSBC Securities Services had been reviewed by KPMG with the full report being made available to panel members. A governance report on the operations of the Investment Panel during the previous financial year, prepared by one of the scheme's independent investment advisors was reviewed and noted.

A report on the stock lending activities was also reviewed. All stock lending is now conducted on behalf of WYPF by HSBC on an agency basis. The report covered income received and the amount of stock currently on loan split by asset type. The panel agreed to continue a policy permitting the maximum level of 35% of the total portfolio allowable under the regulations for stock lending. An additional type of stock lending activity was also reviewed. "Evergreen" stock lending involves lending high quality stocks or bonds for fixed periods of time; this differs from traditional stock lending which is callable at any time. 'Evergreen' lending consequently attracts higher fees. The panel agreed to allow HSBC to draft the legal framework for such lending with a final review to be undertaken before commencement.

Investment Pooling

A significant agenda item of the April meeting was a report detailing the WYPF's response to the Government's decision to work with LGPS administering authorities to ensure the future pooling of assets. The Government's stated aim is one of reducing costs while maintaining overall investment performance. 'Investment Reform Criteria and Guidance' – 'Investment pooling' was issued in November detailing the Government's criteria for pooling. An initial proposal was required from LGPS administering authorities by February 2016. The panel reviewed the February pooling submission for the WYPF. Together with Greater Manchester Pension fund and Merseyside Pension Fund a joint submission was made detailing how these three funds would meet the Government criteria as set out in the Investment pooling guidance. In terms of scale the three schemes exceed the stated size criteria of £25bn asset pools, the very high levels of governance that already exist at the individual scheme level would continue into the pooled governance structure. The criteria concerning an improved capacity for infrastructure investment was addressed within the pooling submission with a bold proposal for WYPF to invest into a joint venture vehicle developed by GMPF and LPFA (London Pension Fund Authority) which was already operational and would allow cooperation in infrastructure investment ahead of formal pooling being completed. The panel also considered at length the final stated criteria for pooling, that of reduced costs and value for money. Given the extremely low cost nature of the current WYPF scheme this area presented the panel with the greatest level of concern. The proposal under review explored a number of asset pooling arrangements, none of which offered any certainty of cost savings and some increased existing costs substantially even taking into consideration benefits of scale, achieved via the pooling with two other large schemes. The panel noted both the initial pooling submission and the initial response from the Minister for Communities and Local Government (DCLG), approving in principle the main aspects of the proposal with encouragement to develop further the proposal for final submission in July. Scrutinising the complex and detailed planning involved in the creation of such a substantial investment pool would be a feature of every meeting of the ISC for the remainder of the financial year.

Panel meeting July 2016

The first item on a busy July agenda was to elect a Chairman and Deputy Chairman. Cllr Andrew Thornton and Ian Greenwood were duly elected. The second panel meeting of the financial year was the first since the 'Brexit' referendum and took place a week after the delivery to the Minister at DCLG of the detailed proposal for pooling. The panel papers contained the ministerial response to the initial submission in February, which was broadly supportive of the proposal. The proposal focused on cost efficiency, performance and infrastructure. The final details of the ambitious direct infrastructure investment joint venture with Greater Manchester and the London Pension Funds Authority (GLIL) were presented and examined by the panel. The proposal was approved and authorisation given to commit £250m over time into the GLIL investment vehicle

Most global markets were positioned for a 'remain' result in the UK referendum. Given the 'leave' result, equity markets particularly in Europe and the UK fell sharply in the immediate aftermath. However these falls proved short lived and most markets were recovering within a week of the result. The most significant affect for Sterling investors was the sharp fall in the currency, which had started prior to the vote and accelerated subsequently. Sterling weakness had the beneficial affect for un-hedged Sterling investors of turning lack lustre global returns in local currency into strong Sterling returns. Even Japanese equities which had a torrid time in over the quarter as the economy remained sluggish and consumption fell, delivered a Sterling return of 8.0% on the back of the Yens near 30% rise against Sterling over the quarter. Given the uncertain direction of markets in the short term and the evolving 'Brexit' situation, new cash was not directed into either equity or bond markets at this time.

It was anticipated that a substantial £25m investment into the Green Investment Bank Offshore Wind Fund, previously authorised would to be drawn during the quarter. Existing private equity commitments would be likely to draw an additional £10m over the same period. After taking this into consideration the remaining cash flow was directed into cash reserves, as better opportunities were expected to emerge in the short term and storing up 'dry powder' was considered the best use of the funds.

During the July meeting the panel also received a report on the AGM of the Institutional Investment Group on Climate change (IIGCC). WYPF is a member of the IIGCC, which is a forum for collaboration on climate change specifically for investors. The forum focuses public policy scrutiny and on the long-term risks to investment and investment opportunities in industries related to combating climate change. The panel noted the report and agreed to continue the collaboration given the importance of climate change to long term investors.

Investment performance review

Investment performance of the fund has been independently measured by the WM Performance Services for many years. However this service has now been stopped by State Street the parent company. Therefore as the panel considered the final WM performance report, a search for a replacement provider of performance measurement services was requested. As has been noted in previous governance reports the investment approach adopted by the panel is genuinely long-term and consistent with the long-term nature of the liabilities of the fund. That said, it is still relevant and good governance to monitor investment performance over the short term as well. The panel reviewed performance over the previous financial year to March 2016. The fund returned -0.3% this compares with -0.1% for the scheme's specific benchmark. The fund remains in line with this benchmark over three and five year periods, while over over ten and twenty-year periods the fund is ahead of benchmark. Against a universe of other local authority funds the WYPF was marginally behind the average over the last calendar year and over the medium term. However over the longer period of ten, twenty and twenty five years the scheme remains ahead of this peer group comparison.

Alternative Investment Working Group

A meeting of the alternative investment-working group was convened in London during September for face-to-face meetings with a broad selection of external managers running the fund of hedge fund, private equity and Infrastructure investments for the scheme. These face-to-face meetings held over two days review the performance and strategy of the various investments and allow for a detailed look at the investment environment the managers are operating in. Receiving a number of presentations in a such a short period of time allows the panel members a good overview of both market trends and how the various managers are responding to the opportunities and challenges arising given the tumultuous events of 2016, this was particularly informative.

Panel meeting November 2016

The November meeting arrived after a very strong third quarter for both bond and equity markets. Markets continued to perform remarkably strongly, seemingly brushing aside concerns over sluggish global growth and the now mainstream acceptance that the ultra loose monetary policies of central banks are no longer an effective shot in the arm for asset markets. Despite these headwinds the on going uncertainties over 'Brexit', continuing geopolitical instability emanating from Syria outwards and even the up coming US Presidential election, investors particularly un hedged Sterling based investors had enjoyed returns of over 30% from global equity over the past year. Once again weak Sterling was a principle driver, delivering two thirds of these returns. The affects of Sterling weakness were also seen in the Index linked gilts market where fears of future imported inflation drove the market up by almost a quarter. It was noted by the panel that even without the large currency translation gains, most major markets had enjoyed a remarkable twelve months, delivering double digit returns even in local currency.

Against this background of near record index levels and 'windfall' gains in overseas assets the panel were faced with much of the overseas portion of the portfolio hitting the upper control limits of the benchmark. As a governance measure each asset class in the fund has both and upper and lower band around the central target weighting which is determined by the customised benchmark. Under 'normal' market conditions these bounds are rarely troubled, but in many ways the November panel faced 'abnormal' markets as viewed from a UK investment standpoint. The panel decided that although forced selling of overseas assets hitting upper bounds was not considered prudent, neither was allocating new cash into these markets. The UK equity and bond markets also were experiencing a greater than usual level of opacity given the almost total absence of tangible evidence of how 'Brexit' would play out. Terms such as hard and soft 'Brexit', absent from the referendum debates were now common parlance. Although establishing firm definitions of either was often a thankless task.

Practically speaking the panel could not allocate to any overseas asset class and there was no appetite to increase UK assets. It was noted however that the level of switching opportunities within the UK equity market exacerbated by 'Brexit' uncertainty was fertile ground for the internal managers to add value. This overall environment coupled with the significant cash withdrawal expected imminently for GLIL the infrastructure joint venture, determined that once again new cash flow was allocated into cash reserves.

A verbal report was received from Chairman Andrew Thornton, which detailed the attendance of several members of the panel and officers at the Corporate Overview and Scrutiny committee of City of Bradford Metropolitan District Council. The committee had been requested to review the investment in the fossil fuel sector and its implications for WYPF. The committee reviewed a report prepared by the Director of the fund detailing the financial, risk and governance aspects of the fossil fuel investments of the fund. Combined with a legal appraisal of the fiduciary duty of the Investment Advisory Panel in overseeing the various investments of the scheme. Contributions were heard from members of the public including pressure groups, officers, advisors and the Chair of the IAP. The committee noted the work of the IAP in this area and fully endorsed the corporate engagement focused approach to the issue of fossil fuel investment.

The panel also received an updated report on property strategy where the on-going development of a direct property portfolio continues with a number of initiatives actively under consideration. An update was also given on the latest iteration of the proposed pooling structure that will be created between WYPF, GMPF and MPF. In response to informal indications from the Minister of the desirability of an FCA regulated entity within the pooling structure the decision had been taken to set up an AIFM (Alternative Investment Fund Manager) to take operational responsibility for investments. The panel noted this development and expressed concern at the potential costs to be incurred.

Member and employer annual meetings

Communication with both employers and members is an important aspect of the panel's activities. Immediately following the November panel meeting the annual meetings for both the employers and pensioners took place in Bradford Town Hall and the following day in Huddersfield. These annual events are both informative and popular; they continue to be well attended. The meetings provide an opportunity for employers, members and pensioners to hear about administration aspects of the fund, any changes that have taken place for members or employers, as well as the customer service levels being achieved. It is the administration function of the scheme that is the main day to day point of contact for members and pensioners. Consequently the updates and information given at these annual meetings always proves of interest to the attendees.

In addition to the information on the functioning of the scheme provided by the Director, these annual gatherings include reviews of the global economic environment, changes to the asset allocation within the fund and a review of investment performance over both the short and long term. The external investment advisers to the fund provide these presentations. Each meeting has a guest speaker who provides an informative talk of interest to the specific audience. The Huddersfield meeting enjoyed an extremely informative and thought provoking presentation on the various forms of scam and fraud that are particularly targeted at vulnerable pensioners, from a member of West Yorkshire Trading Standards. The meeting concluded with member questions submitted prior the event being answered by the relevant scheme representative for the benefit of the whole meeting

Panel meeting January 2017

The final full panel meeting of the financial year was held in January. It was the first meeting post the unexpected victory of Donald Trump in the US presidential election. Despite the unexpected result markets barely paused for breath before once again moving higher. US equities in particular rallied strongly on promises of infrastructure spending and corporate tax cuts. Other markets responded in kind and many cyclical stocks performed strongly on hopes of faster growth and more fiscally driven government policy. Even the less economically helpful aspects of Trumps' election rhetoric, including the spectre of increased protectionism were side lined in the markets new found confidence. As the panel considered the investment options for the portfolio it was noted that a number of major investments had been drawn over the last quarter of the calendar year. These included a substantial first instalment into GLIL and a final commitment to the Green Investment Bank Offshore Wind Fund. Given these outflows, cash balances in the fund were lower than in the recent past. The panel decided it was prudent to specifically ring fence money for the quarter for listed infrastructure opportunities. The internal investment team has built up this relatively new asset class for the fund over the last year. It consists of investment in quoted funds exposed to a number of infrastructure and private markets opportunities. The internal team conduct extensive due diligence before committing to a selection of opportunities that meet the demanding total return and risk targets agreed with the investment panel. Although there are a large variety of these listed infrastructure funds they all possess significantly greater liquidity than the more traditional infrastructure investment the WYPF holds. These are normally in the form of non-quoted closed ended vehicles with WYPF participating by way of limited partnership.

The latest developments on pooling were reviewed and discussed by the investment panel. It seems likely that given the enormity of the task, that issues surrounding pooling will continue to feature prominently on every investment panel agenda over the medium term. The latest Ministerial letter was reviewed and it was noted that it was confirmed that the July submission had been approved and that permission had been given to proceed on the basis laid out in that submission. The Minister gave particular praise for the substantial funds committed to the GLIL infrastructure partnership.

The agenda also covered a review of the advisory panel business plan for the financial year 2017-18 and the newly formulated Investment Strategy Statement (ISS), which supersedes the previous Statement of Investment Principles (SIP) as a consequence of the 2016 LGPS (Management and Investment of Funds) Regulations 2016. The panel approved both reports. The new ISS introduces a requirement for limits and ranges for assets held within the fund. As the WYPF already uses limits for assets classes these are now included within the ISS.

Fund specific benchmark

During the January panel meeting consideration was given to the fund specific benchmark. This benchmark is reviewed annually with due regard to the fund's SIP now superseded by the Investment Strategy Statement (ISS) and the Funding Strategy Statement. The January meeting is the normal time for the benchmark to be reviewed to determine if any changes would be beneficial for the fund. It was decided that given the results of the 2016 tri annual actuarial valuation of the scheme are imminent that the panel would defer reviewing the benchmark until the results are known. This review is now expected to take place at the first meeting of the new financial year.

Special panel meeting February 2017

The final meeting of the financial year was held during February. The Alternative Investments Working Group met in Bradford and received presentations from a number of private equity managers and one private debt manager, where the fund has current commitments. Most of these funds would be classified as UK lower mid market private equity in terms of geography and target market. As with the London meeting of the working group, these face-to-face presentations provide members with the opportunity to ask questions of the managers and to monitor the investment landscape in which these investments are deployed. A distinctive feature of this annual February meeting is that a number of the investments are specifically targeted at local business investment.

Training for panel members

Developing a high level of investment understanding within the Investment Panel is important in maintaining good levels of governance. Members are encouraged to make use of opportunities for training and attendance at industry events. These investment and training seminars are for the benefit of new panel members and existing members alike. The aim is to keep knowledge as up to date as possible. During the period the panel has been represented at a number of industry investment seminars including the LGC Investment Summit, the SPS Northern Pension Funds Conference and LGPS Trustee Conference. The panel continues to support the work of LAPFF and a number of committee members were present at the December LAPFF conference in Bournemouth. The event focuses on the importance of positive corporate engagement by the LGPS. In addition for attendance at the annual conference panel members are kept regularly informed about the work of LAPFF at the quarterly panel meeting where the LAPFF Quarterly Engagement report is included in the panel papers for discussion.

Voting rights

In terms of responsible ownership the scheme continues to exercise its shareholder voting rights in full. As highlighted in previous governance reports the panel adopts the PIRC shareholder voting guidelines for this purpose making use of the full-extended service. As a consequence the fund is able to vote on every company represented in its investment portfolio anywhere in the world. Details of voting undertaken by WYPF at company AGMs and EGMs is available on the WYPF website. The Fund continues to engage directly with a number of company managements where there have been specific issues to discuss in terms of good governance and social responsibility. This engagement is conducted through the LAPFF where deputy chairman, Ian Greenwood, and Director of WYPF, Rodney Barton, continue as active members.

New Panel members

The experience of the investment panel remains a significant benefit to the fund and ensures that investment decisions are reviewed and monitored to the highest standards and the scheme continues to operate with high standards of governance. During any financial year it is usual for some members of the panel to leave and to be replaced with new faces. During the period we welcomed Cllr Ms Jacquie Speight and Cllr Matthew Morley both representing Wakefield. All the members are encouraged to participate in the wide range of industry events including training seminars in order to be able to fully participate in the work of the panel.

Conclusion

The financial year 2016/17 proved one of the most eventful since the great financial crisis of 2008. With the result of the Brexit referendum and the resulting changes to both Prime Minister and Chancellor, politics was never far from investors' minds when assessing the prospects for the UK economy. The unexpected result in the US presidential election further added to the new political landscape in which investment decisions needed to be made. Despite many predictions of a sharp slowdown for the UK economy , most economic data to date has surprised to the upside with consumers in particular showing no obvious signs of a 'Brexit' slowdown. The sharp fall in the value of sterling has benefitted Sterling based investors holding overseas assets. The FTSE100 index has also enjoyed a strong run with many of the companies gaining translation benefits from significant overseas earnings. The strength of overseas markets in particular has both benefited the performance of the fund and influenced decisions on the investment of new cash flow.

The very uncertain investment environment, which persisted throughout most of the period, was reflected in the cautious stance the investment panel adopted. The main focus throughout the period was to continue to diversify the portfolio and to introduce more investments that offered the fund long term stable returns, were less sensitive to economic cycles, were both income generating and where possible offered some inflation linkage. The panel have operated in a difficult, politically influenced investment environment while still maintaining high levels of governance and strategic thinking. The coming financial year is expected to be no less challenging as the main aspects of investment uncertainly remain in place and the journey towards pooling will be significantly further ahead by the end of the period. Given the experience of members and leadership and advice available to the panel, the investment governance of the WYPF remains extremely strong and fit for purpose.

Section 7
Investment Management and Strategy

Investment management and strategy

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

The in-house investment management costs continue to be the lowest of all local authority pension funds. In 2016/17, the Fund's in-house investment management costs were £10.74 per scheme member, the lowest for all LGPS, compared with the national average for all local authority pension funds of £177.86 for 2015/16.

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

The volatility in markets over the last year, which is covered in more detail in the following sections, provided the investment Panel with opportunities to allocate investment into equities, bonds, private equity, listed Alternative Investments and cash during the year. The investment in hedge and currency funds was further reduced during the year. The Fund holds 1.3% in cash. The return on cash balances remains at a historic low.

Voting policy

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

Custody of financial assets and stock lending

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

Investment performance

In 2016/17 our investments made a positive return of 22.7% which ranked us in the 19th percentile. The Fund has a very different asset strategy to that of the average LGPS fund: the key difference is our relatively high commitment to equities and the commensurate underweighting of other assets. During the past reporting period 2016–17 this would have had a positive impact on the Fund's performance relative to its peers as equities were the best performing asset class.

Section 8
Investment Markets

UK Equities

The UK equity portfolio valued at £4,380m continues to be the largest single asset class representing 32.4% of the total portfolio. UK equities are an important driver of returns for the Fund. Historically they achieve greater returns than UK government bonds, provide protection from inflation and are based in sterling. Over the long term they offer the growth and income required to meet the fund's rising liabilities. To demonstrate, over the last 5 years the UK equity portfolio averaged an annual return of 9.6% which is made up partly by market appreciation of the portfolio and partly by dividend yield. The UK equity portfolio generated dividend income in excess of £149m over the year (a 3.4% dividend yield) which was predominantly used to pay pension liabilities and reinvest in other asset classes

Corporate actions

In addition to dividend income the WYPF also received cash proceeds from corporate actions on the holdings in the UK equity portfolio. The two biggest corporate actions over the year were the all cash takeovers of SAB Miller by AB InBev, and ARM Holdings by Softbank. The WYPF received £54m in cash in respect of the holding in SAB Miller, and £36m in respect of the holding in ARM. Over the 12 months the total cash received by way of takeover proceeds from the UK equity portfolio amounted to £90m.

Eventful year for the UK and the EU referendum.

The last 12 months have been eventful for the UK both politically and economically. The February 2016 announcement of a referendum on remaining within the EU had an immediate negative effect on the UK currency and financial markets which continued throughout the lead up to the referendum in June.

The outcome of the vote was fairly close overall but demonstrated polarity of views in specific regions. London, Scotland and Northern Ireland were firmly in the 'remain' camp, elsewhere the vote was clearly in favour of leaving. The overall vote to leave the EU therefore came as a shock to the City of London and markets reacted accordingly.

In the wake of the BREXIT vote the Prime Minister and Chancellor of the Exchequer both resigned and leadership contests emerged across political parties. The Bank of England lowered base rates to a new historic low of 0.25% and increased bank liquidity in an attempt to bring stability into the markets. Theresa May became the new Prime Minister and appointed Philip Hammond as her Chancellor.

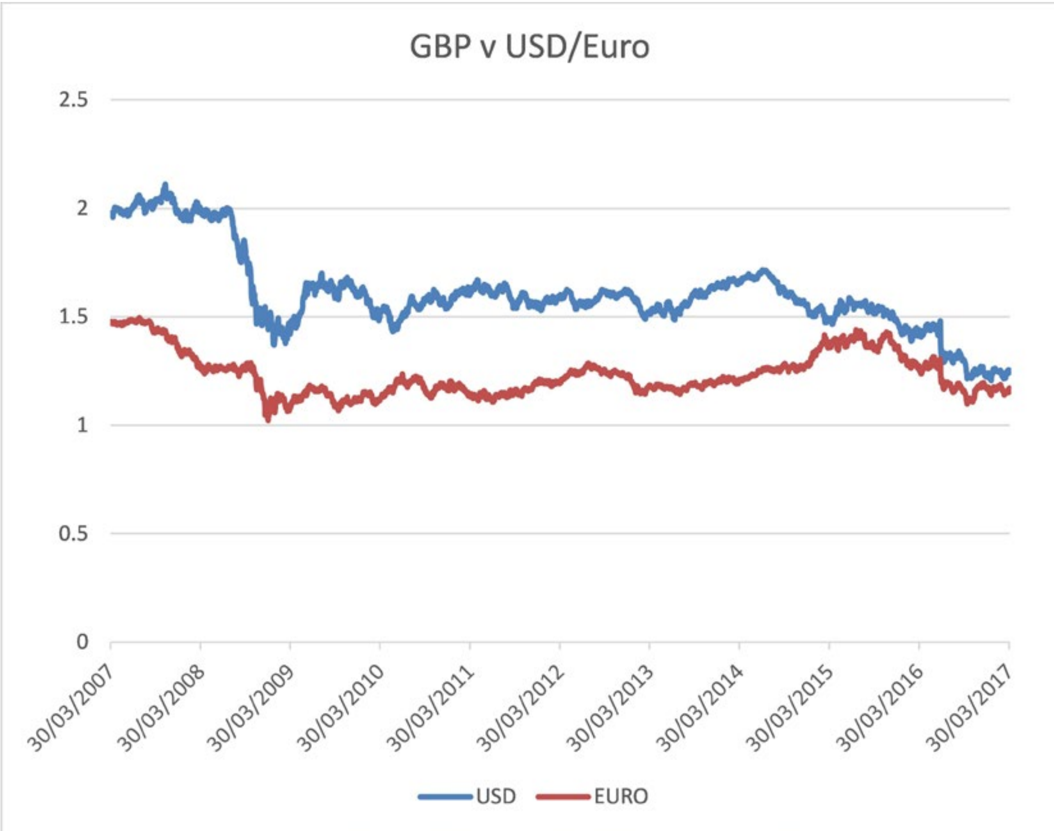
UK politics has been dominated by the approach to, and implications of, BREXIT this year. Debates in the Houses of Commons and Lords plus court cases determining the legal standing of the referendum decision have continued right until the Prime Minister triggered the process to leave the EU. The process was triggered on 29 March 2017 by delivery of a letter to the Chair of the EU invoking Article 50 of the Lisbon Treaty.

It remains to be seen how smoothly negotiations will unfold in the three particularly sensitive implications of the UK's departure from the EU. These are the treatment of EU and UK citizens who currently live and work in each other's territories, trade agreements with EU countries and the outstanding budget contribution or exit fee that is proposed. The Great Repeal Bill enacting the formal adoption or revocation of each piece of EU legislation will be drawn up to come into effect on BREXIT Day.

UK currency continues to fall

The value of sterling has continued to fall against both the Euro and US$ partly in response to the uncertainties surrounding BREXIT. The devaluation against the dollar is the continuation of a long term trend but this is not the case with the Euro, against which the pound was previously lower than it is currently in the years following the 2008 financial crisis.

£ against US$ and Euro 31 March 2007 to 31 March 2017



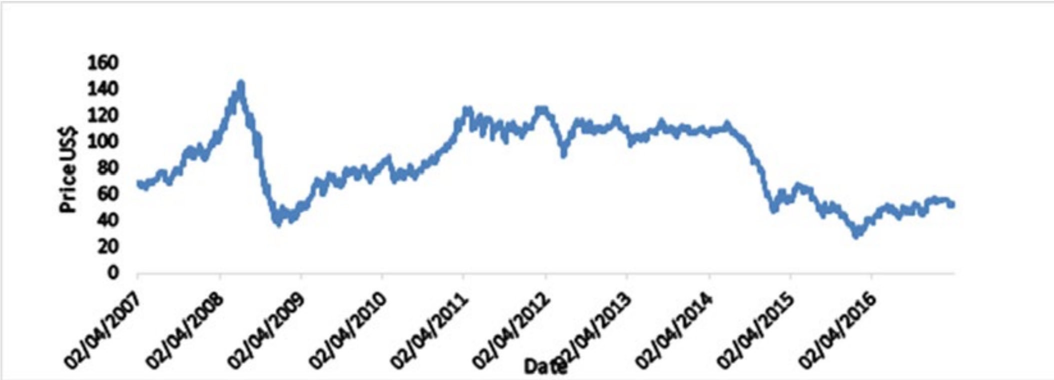
Recovery in Oil Prices

Following a tumultuous 2015/16, the oil price recovered gradually during the course of the year. OPEC countries agreed to lower oil production in order to reduce the oversupply in the market, and although these cuts did not come into effect until January 2017, they were larger than expected which helped the oil price recover from the very low levels seen in early 2016.

Other factors affecting oil prices and sentiment during the year were the continuing and indeed worsening, trouble in the Middle East along with surprising election results in the USA, all of which made the situation more confused. Despite the uncertainty, the price of Brent oil rose from $39.60 to $52.83 during the course of the year, continuing the recovery from the lowest point of $27.88 in January 2016.

The Oil sector still has the highest dividend yield in the UK index; this is essential income to the West Yorkshire Pension Fund whilst interest rates remain very low.

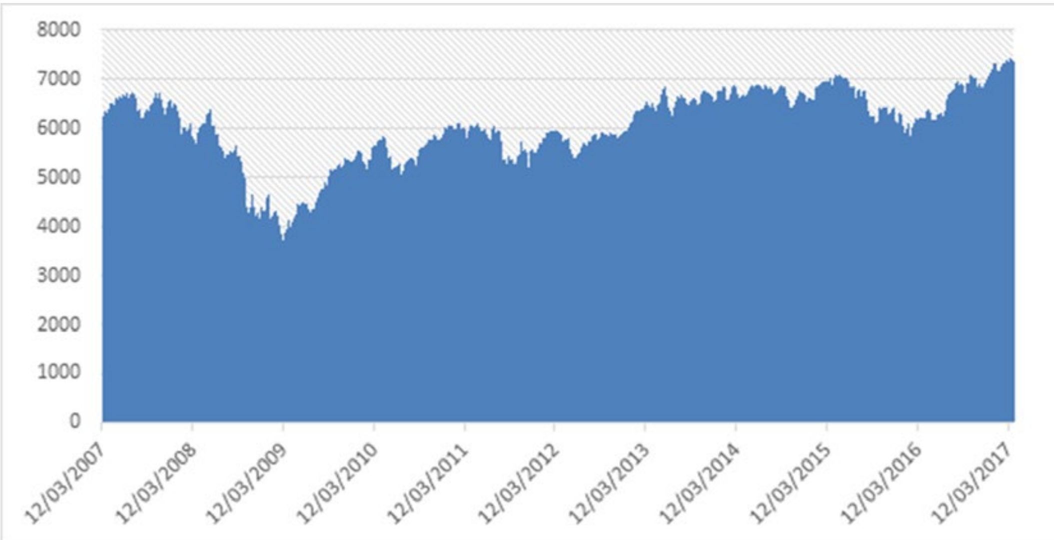
Brent Oil Price 01/04/2007 to 31/03/2017



UK equity market performance

The immediate impact of the BREXIT vote was an 8% fall in the value of the market. However, after the initial shock the UK equity market quickly recovered all of this loss and achieved an exceptionally strong return of 22% over the full year. The weakness in sterling created an immediate currency opportunity in those companies whose earnings are denominated in foreign currencies, predominantly FTSE100 companies. The UK equity portfolio is heavily exposed to these companies. The in house UK team added further exposure in the days following the referendum when the market was significantly weaker. Over £20m was invested over the five days following the vote.

FTSE 100 Index 1 April 2007 to 31 March 2017



Such has been the strength of the UK equity market that new all time highs were reached on both the FTSE All Share Index and the FTSE 100 Index on 20 March 2017. The FTSE100 index of the biggest UK listed companies ended the 12 months at 7323.

UK economy resilient despite BREXIT

Like the UK equity market, the UK economy has been similarly resilient despite the uncertainty surrounding the departure from the EU. Over the 12 months GDP grew a further 2.1%, unemployment is lower than before the 2008 crisis at 4.7% and house prices have continued to grow, albeit at a less frantic pace.

Household spending drives 60% of UK economic activity, as industrial production is a weaker driver of growth. The UK consumer is therefore a crucial factor in continued growth. The low level of unemployment has been a positive factor as has the re-emergence of real wage growth. Following the 2008 crisis real wages fell significantly, this has taken several years to reverse as illustrated below. However despite nominal wage growth running at over 2% pa, inflation has also been accelerating as the weak currency and oil prices have taken effect. The real wage growth, which has been enjoyed since 2015, has therefore fallen to zero. This will be a drag on growth going forward.

Real Average earnings, annual growth rates, seasonally adjusted

Source: Office for national Statistics, Monthly Wages and Salaries Survey.

Commitment to Alternative Energy and Green Technology

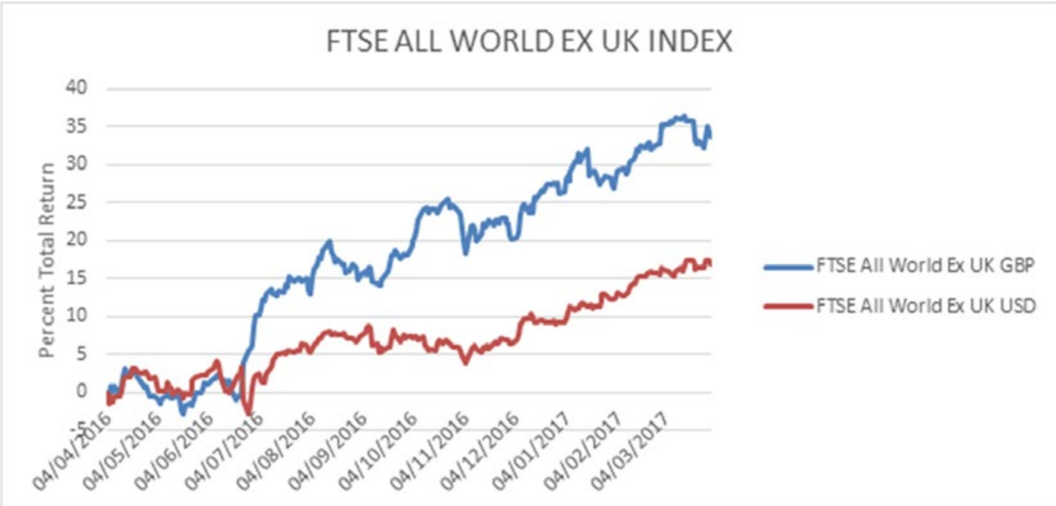
The WYPF continues to support investment in Alternative Energy and Green technology within the UK equity portfolio. This is a small sector in which particular effort to gain exposure has been made over the last 7 years. The portfolio of green investments includes biomass boilers used in schools and town halls, long term battery storage of solar and wind produced energy and hydrogen refuelling stations that are being rolled out (slowly) across the UK. One very interesting investment is in tidal turbines, which have been successfully deployed and are currently generating energy into the national grid. This is based in the Pentland Firth in the north of Scotland. Such is the interest in this successful technology that the company in question is involved in partnership agreements to roll out the technology in France and Indonesia.

Investments in this sector are relatively speculative and the exposure is limited by the small market capitalisation of these companies, and by the limited number of investment opportunities. It is hoped that the fund can gain exposure at this early stage to investments that will be highly beneficial in the future both financially for the Fund but also highly rewarding to future generations in the development of more sustainable technologies.

International equities investment markets

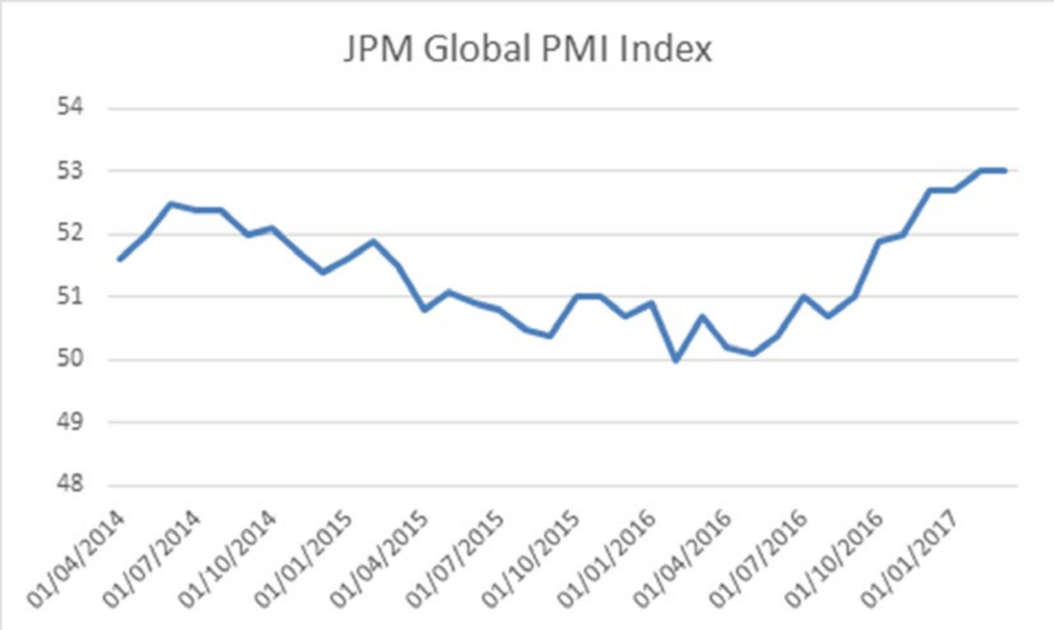
Global equity markets made strong gains over the year, albeit after a slow start. Sluggish growth in advanced economies, stubbornly low commodity prices, and concern over the possible impact of a British withdrawal from the European Union (EU), prompted the World Bank to lower its 2016 GDP growth forecasts to 2.4%, from its January prediction of 2.9%. To the surprise of the market, the UK did then vote to leave the EU and this threw the markets into turmoil seeing over $2 trillion dollars wiped off the value of global equities. However, after just three days, the market had recovered its nerve and most of its losses. Whilst the equity markets recovered, the currency markets saw a significant devaluation of the pound which fell 8.1% against the dollar from $1.48 to the pound before the vote, to $1.32 afterwards. Ironically this devaluation in sterling was highly beneficial, boosting the investment returns of overseas earnings to UK companies and the value of overseas assets as a whole.

Overseas equity markets rose significantly over the year as illustrated below. The chart shows the returns of the FTSE All World Ex UK Index in both sterling and US dollars. As can be seen the devaluation of the pound following the UK referendum boosted overseas earnings dramatically, delivering a 34% total return in sterling, against 16% in dollars. Markets generally enjoyed a positive year with double digit returns evident in most regional markets including South America which had struggled in recent years from the weak commodity markets. In local currency terms, the total return for the US S&P 500 was 17%, the European Stoxx 50 was 21%, the Japanese Nikkei rose nearly 15% and the Brazilian IBOVESPA increased over 29%. The Chinese Shanghia Composite meanwhile, made a more modest 10% return.



Improving Economic Picture

As the year progressed sentiment began to improve on the back of encouraging economic data. In spite of ongoing fears that the British withdrawal from the European Union would depress economic activity across Europe, improving economic data from developed economies gave encouragement that 2017 would see an improvement to the global economy. The headwinds facing some emerging economies, especially those dependant on exporting commodities, was expected to ease and continuing policies of monetary stimulus would see an improvement to economic activity in Europe and Japan, whilst Chinese economic growth would continue to slow at a measured rate. The USA meanwhile, was showing signs of quickening growth and an ever tighter labour market prompted the Federal Open Market Committee (FOMC) to raise interest rates 0.25% in December 2016 and again in March 2017. The first increases since 2009. June 2016 may prove to be the nadir of both commodity prices and economic sentiment as the chart below shows.The JPM Global Manufacturing Purchasing Managers Index is a measure of manufacturing confidence and from June 2016, has shown strong positive momentum, ending the year on 53. (A value above 50 indicates positive economic expansion).



Politics

If this financial year is remembered for anything, it will be politics. The British EU referendum result rattled world markets but was only the first of several political events to dominate the news. In November it was the turn of the United States to shock the world by electing the Republican candidate Donald Trump to be President, against expectations, and after a highly divisive election campaign. This event however, was taken positively by the markets because he is expected to pursue a largely Republican Party agenda that includes business friendly policies to cut taxes, reduce red tape and increase infrastructure spending. However, concern has arisen from his protectionist policies that include withdrawing from the Trans Pacific Partnership Trade Agreement and a desire to re-negotiate the North American Free Trade Agreement. The impact of his protectionist rhetoric has been to heighten fears that global trade will suffer. Elections have also taken place across Europe in Austria, Italy, Holland, and more recently France, where right wing anti-European Union candidates have been receiving strong support. The outcome of the French election and the German election to follow later this year, could affect the future of the European Union as we know it.

Bonds – high returns but increasingly volatile

Recent years have seen a decline in bond yields and a lengthening of the age to maturity across the UK bond market, especially to index linked bonds. This has led to a rise in volatility as even small changes to the yield, can have a significant impact on the price. Coupon payments have also become very low in some of the index linked bonds.

The price of a bond reflects its yield and consequently small changes to yields in the wider market have a significant effect on the price of bonds with longer maturities. A key measure of this volatility is duration, which is the number of years an investor needs to hold a bond before the buyer will recoup the value of the original investment through the receipt of coupon payments. For example, since 2008 the duration of the index linked market has risen from around 13 years to 23 years today, a situation worsened by the fact that the Debt Management Office is issuing ultra-long bonds more frequently. In short, current bond markets are delivering more volatile returns than in the past.

Yields on UK corporate bonds also remain at depressed levels although they offer an extra 1.5% yield compared to UK gilts. Indexed linked corporate bonds have also followed the index linked gilt market. Despite offering 1% to 1.5% extra yield the recent escalation in price has resulted in them trading on negative yields. Much of the UK corporate index linked bond portfolio has been sold realising profits approaching 100%, reinvestment has been into conventional corporates with more attractive yields.

Listed alternatives – In Search of Diversification and Yield

Although the UK equity market continues to deliver dividend yield, many of the asset classes which were previously relied upon to deliver both stable income and diversification from equities no longer offer these qualities. This is particularly true of bonds which have become volatile and low yielding.

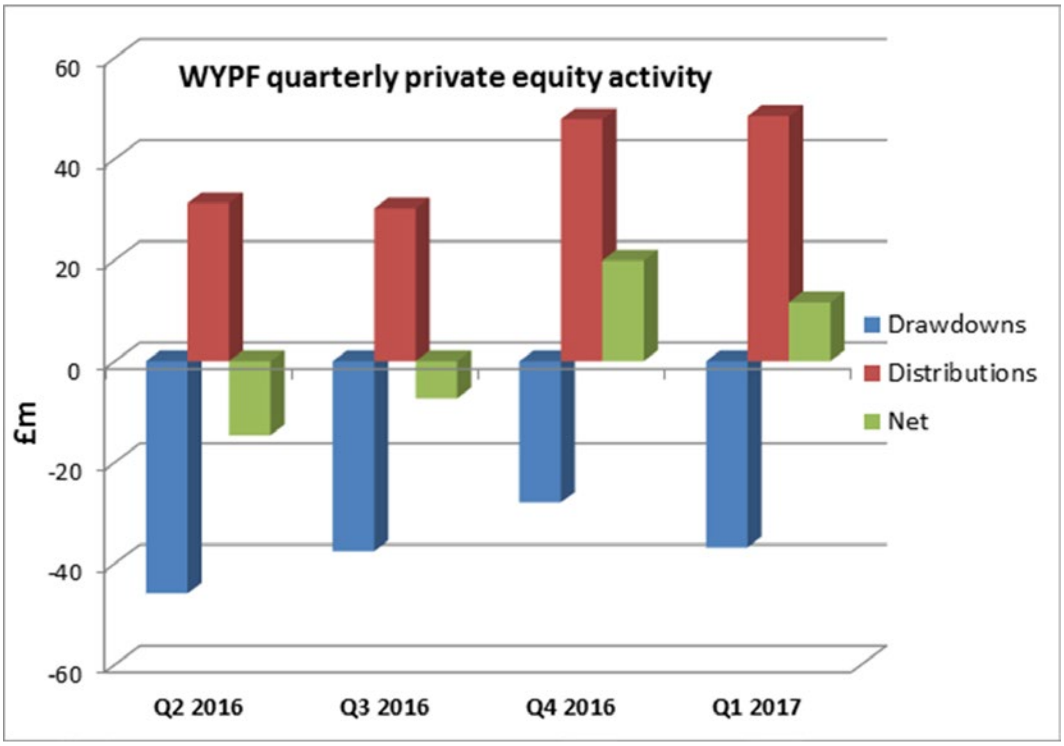
A portfolio of listed alternative stocks has been established with the aim of returning a stable high yield and minimal correlation with either bonds or equities. The majority of the overall 7% target return should be received as income.

The Listed Alternatives portfolio has been very successful in delivering this, in the 3 years since being established it has grown to £190m in value with a return of 14.8% last year, 5.1% of which was returned in income and with very little correlation to equity and bond markets. Further investments will be made in this portfolio whenever suitable opportunities arise.

Alternative Investments

Private Equity

In the financial year to 31 March 2017, the value of private equity deals decreased by approximately 10% globally on the prior year. However, it was a year of two halves. The first half (1H) saw an increase of 5% on the prior year, whilst the second half (2H) saw deal volume decline by 25%. The WYPF private equity portfolio saw an increase in drawdowns of 51% year-on-year with increased capital calls of 79% (1H) and 26% (2H), respectively. The value of global private equity backed exits for 2016/17 was 14% lower than the previous year: 1H -25%; 2H +6%. WYPF mirrored this with 1H distributions down 24% but 2H distributions up 59%. Overall, the WYPF portfolio saw distributions that were 12% higher year-on-year. Similar to the last two years, the WYPF has bucked the trend, partly due to heavy exposure to 2006–07 vintage funds that are now exiting portfolio companies as fund terms near expiry. Lower, but nonetheless strong, fund distributions have led to investors re-committing capital in order to maintain allocations or even grow them in some cases. In turn, this has led to another robust year for General Partner (GP) fundraising. Similar to prior years, although the value of funds raised globally increased (6%), the number of funds raised declined (13%). As reported last year, the fund raising market is more competitive than ever with investors favouring established managers with strong track records. This comes at a time when many investors are wanting to streamline their manager relationships. Fund sizes are therefore increasing, whilst committed capital awaiting drawdown remains elevated. This continues to put pressure on GPs to find attractively priced assets, making it a seller's market. GPs continue to capitalise on the availability of leverage and strong exit markets.



For the year to 31 March 2017, net proceeds received from the WYPF's private equity portfolio amounted to £9.5m overall, compared to £43.0m in the prior year. Meanwhile, the portfolio increased by £125m from £535m to £660m. Given good performance relative to other asset classes the weighting of the private equity portfolio increased as a proportion of the WYPF to 4.9%, from 4.8% the prior year.

The table below shows the currency exposure of the private equity portfolio's undrawn commitments at the start of the period and the cashflows that followed. European managers called less and distributed more than their proportionate share, suggesting that they found it easier to sell than to buy. The opposite was seen amongst sterling denominated managers who are typically focussed on the lower mid-market (companies with enterprise values less than £100m) and encounter less competition in this space.

Currency denominated funds	% of total net undrawn commitments as at 31.03.16	£m called during 12m period	£m distributed during 12m period	Net £m invested (realised)
EUR	25.2	28.6	51.9	(23.3)
GBP	19.9	41.9	14.2	27.7
USD	54.9	77.8	91.8	(14.0)
Total	**100.0**	**148.3**	**157.9**	**(9.6)**

The WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split between Euro, Sterling and Dollar denominated funds, produced internal rates of return (IRRs) of 8.8%, 14.9% and 11.8% in their local currency. In Sterling, the overall IRR was 23.3% for the year to 31 March 2017, due to Sterling's weakness over the period. The Dollar appreciated by nearly 15% against Sterling, resulting in Dollar funds producing an aggregate IRR of 28.9% in Sterling.

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

Private equity fund	WYPF Commitment
	£m
BlackRock co-investment mandate	15.0
Colbeck Strategic Lending Fund	29.0
Lexington Middle Market Investors IV	18.8
Dover Street IX AIF LP	18.8
HGGC III	34.7
Genstar Fund VIII	24.3
BV Investment Partners IX	24.3
Total	**164.9**

Net undrawn commitments

At 31 March 2017, un-drawn commitments amounted to £437.1m.

Private equity strategy

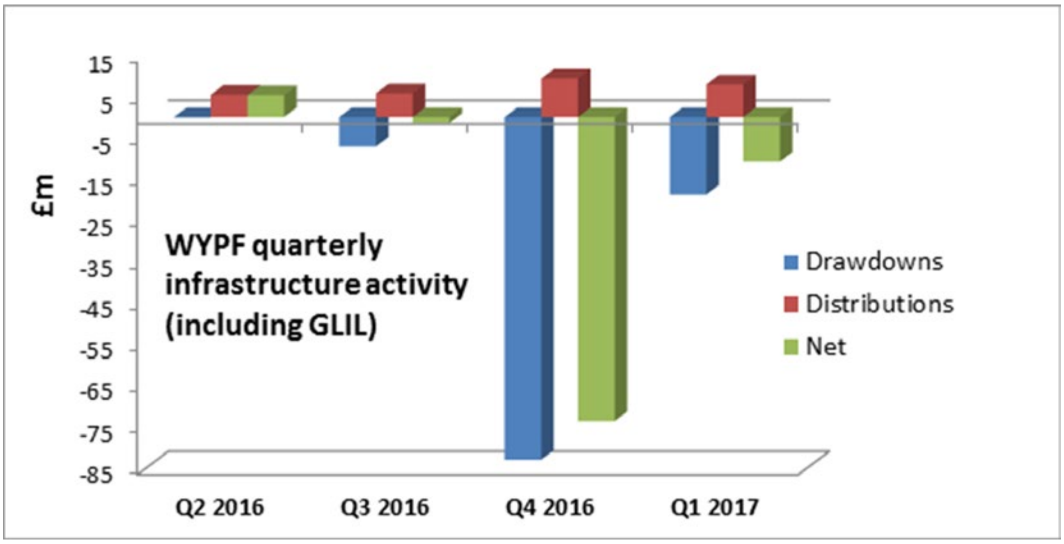
The strategy and approach for this asset class remains unchanged. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 5% exposure to private equity.

Infrastructure

In the financial year to 31 March 2017, the value of infrastructure deals globally was similar to the prior year, however whilst the number of deals decreased, the average deal size increased. The WYPF infrastructure portfolio experienced a similar level of drawdowns compared to the prior year. However, distributions fell 26%, resulting in a 50% increase in net invested during the year.

In addition to the above, in December 2016, the WYPF committed £250m to GLIL, a limited liability partnership focussed on investing in direct UK infrastructure. This partnership comprises five local authority pension fund investors.

Including monies drawn down for GLIL results in a near 4x increase in net invested from £20.9m in 2015/16 to £80.6m in 2016/17. Overall, more than half of the capital called during the year was invested in UK renewable wind farms.



As a proportion of the WYPF, the weighting of the infrastructure portfolio was 2.1% (£290m), up from 1.6% (£181m) the previous year.

The WYPF's infrastructure portfolio remains well-diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split mainly between Sterling and Dollar denominated funds, produced IRRs of 10.4% and 7.9% in their local currency. In Sterling, the overall IRR was 15.4% for the year to 31 March 2017, benefiting from Dollar strength over the period. The Dollar appreciated by nearly 15% against Sterling, resulting in Dollar funds producing an aggregate IRR of 24.5% in Sterling.

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

Fund	WYPF Commitment (£m)
UK Green Investment Bank Offshore Wind Fund	25.0
Macquarie European Infrastructure Fund 5	17.3
Macquarie European Infrastructure Fund 5 Co-Investment Side Car	15.2
SL Capital Infrastructure I	25.0
Total	**82.5**

Net undrawn commitments

At 31 March 2017, un-drawn commitments amounted to £319.4m.

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

Hedge funds

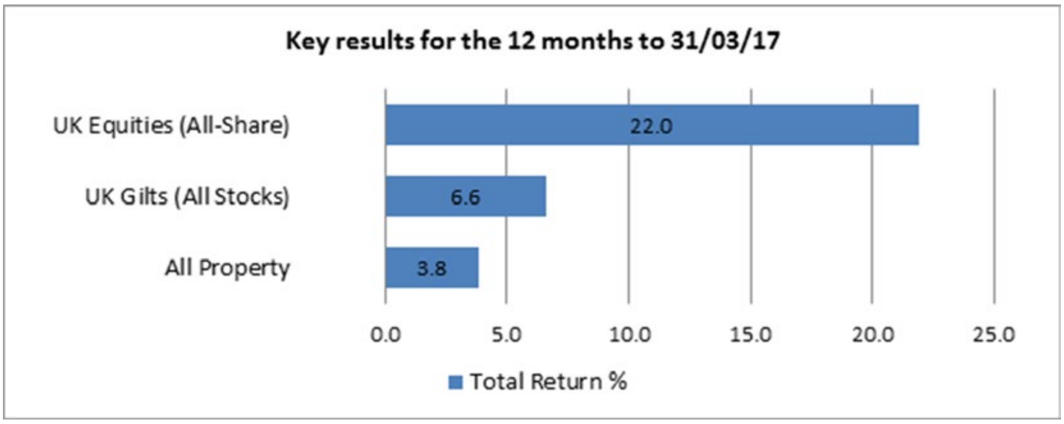
For the twelve months to 31 March 2017, the WYPF's allocation to hedge funds returned 11.3% in aggregate. However, this masks varying component returns. The Fund of Funds (FoF) portfolio returned 6.5%, which outperformed the HFRI FoF Composite Index (USD) of 6.2%. Meanwhile, the single manager hedge fund portfolio returned 7.0% (in Dollars), versus 6.2% for the HFRX Global Hedge Fund Index (USD). A near 15% appreciation in the Dollar over the period meant that the single manager hedge portfolio returned 22.9% in Sterling terms and therefore had a positive impact on overall performance.

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

Property

For the year to 31 March 2017, total returns for the UK direct All Property benchmark amounted to 3.8%. This compares to the WYPF agreed benchmark of the All Pooled Property Funds Index, which returned 3.5%.

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



Source: Bloomberg

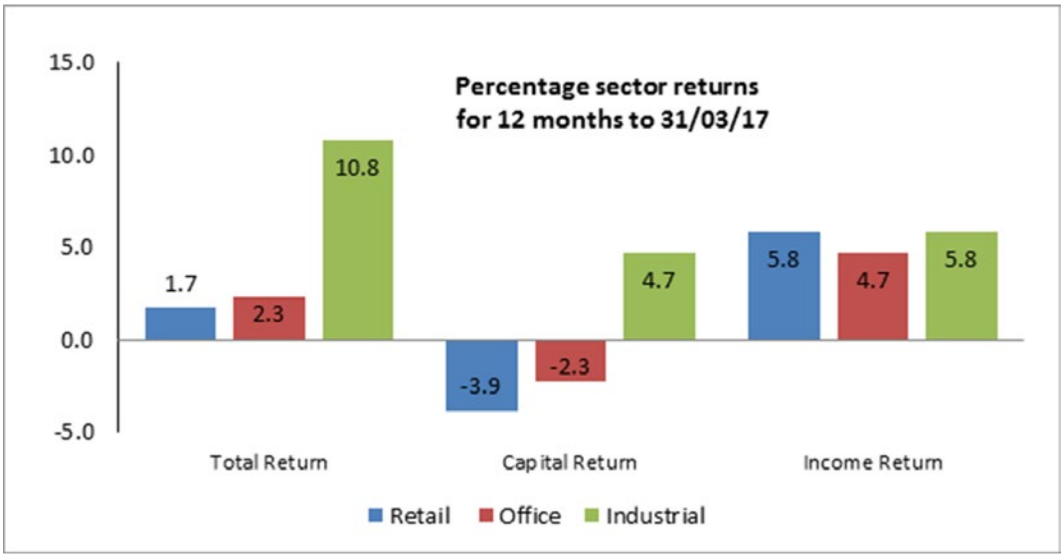
Property capital values declined 1.7% in the year to 31 March 2017, offsetting the 5.6% income return and resulting in a 3.8% total return (Bloomberg). Capital values fell 2.8% in July alone following the EU Referendum. City Offices suffered the most, with capital values down approximately 5.8% for the year to 31 March 2017 (CBRE). Shopping Centres and Retail Warehouses were a close second, with values falling 4.6–5.0%. South East Industrials and Other (e.g. student housing and healthcare) were the only sectors with significant positive capital growth during the period, of 4.0–6.0%. WYPF is overweight industrials located in the South East and underweight in City offices and shopping centres, when compared to the All Pooled Property Funds Index.

Following a sharp decline in Q3 2016, capital values began to stabilise towards the end of the year, buoyed by an increase in transaction volumes. This momentum continued into 2017, but the market expects divergent performance to remain across sub-sectors.

Central London offices have continued to underperform since the summer. The 50bps-yield widening that occurred in prime West End offices in Q3 2016 has since reversed and compressed by 25bps. This has been driven by continued demand, not from UK institutions, but overseas investors at a time when rental growth is softening. Weaker demand from financial services occupiers vulnerable to the UK's loss of EU passporting rights will impose downward pressure on rents.

The industrial property sector, on the other hand, has been performing well. Rents have grown strongly and investor interest is pushing yields down. Strong occupational demand has been driven by the continued evolution of e-tailing. The low supply of space, particularly in the South East, is giving further support to rents.

The retail sector continues to be polarised between 'good' retail, i.e. dominant shopping centres with a leisure offering, and 'bad' retail, i.e. high street shops in over-supplied second-tier towns.



Source: CBRE

During the twelve months to 31 March 2017, retail was again the worst performing sub-sector (1.7%). WYPF is slightly overweight in retail and regional offices compared to its benchmark. It is anticipated that the overweight position in regional offices will benefit the portfolio when the yield gap narrows between prime London offices and good secondary regional offices.

WYPF made property purchases of £49.5m and sales of £15.7m, giving a net investment of £33.8m over the twelve months to 31 March 2017. The majority of monies were spent on good secondary UK regional office space, UK residential (build-to-rent sector) and non-UK commercial properties.

Net undrawn commitments

At 31 March 2017, un-drawn commitments amounted to £100.3m.

Direct property

As reported last year, WYPF continued to invest in a 'fund of one', akin to a segregated account mandate. This fund targets good secondary property assets located in strong regional centres. This investment is intended to expedite exposure to direct property in a way that WYPF can control, whilst awaiting the development of the Northern Pool property management arrangements.

As an interim measure, WYPF is also seeking co-investment opportunities to reduce fees and increase direct UK property exposure, whilst targeting an 80:20 split between UK and non-UK property. The rationale for direct investment is to reduce fees and mitigate third party, investor-led liquidity issues, and the forced sale situations experienced after the global financial crisis by pooled property funds. Following the Government's proposals to consolidate LGPSs into six pools, it is expected that this migration from indirect to direct property will continue over time.

Analysis of investments held at 31 March 2017

		Book Cost	Market Value	
		£m	£m	%
Quoted				
Bonds	Public Sector Bonds	622.3	706.0	5.2
	Corporate Bonds	454.5	498.4	3.7
Index Linked	Public Sector	476.1	643.7	4.8
	Corporate	7.0	12.9	0.1
Ordinary & Convertible Shares (Equities)		4,758.9	8,908.0	65.7
Unit Trust	Property	417.0	582.3	4.3
	Other	313.9	764.1	5.7
Fund of Hedge Funds		173.0	254.3	1.8
Unquoted				
Bonds	Corporate Bonds	1.3	8.2	0.1
Ordinary & Convertible Shares (Equities)		27.9	24.7	0.2
Private Equity		573.9	993.8	7.3
Unit Trusts		0.1	0.1	0.0
Direct Property		6.4	7.0	0.1
Cash Deposits		136.6	136.6	1.0
Total		**7,968.9**	**13,540.1**	**100.0**

UK equity investments by industry at 31 March 2017

	Book cost		Market Value		No of Companies
	£m	%	£m	%	
Oil & Gas Producers	274.0	12.4	464.3	11.1	18
Oil Equipment & Services	13.5	0.6	15.8	0.4	6
Alternative Energy	4.6	0.2	4.8	0.1	7
Chemicals	12.1	0.5	31.5	0.8	7
Forestry & Paper	4.3	0.2	13.6	0.3	1
Mining	146.8	6.6	237.6	5.6	19
Construction & Materials	39.4	1.8	60.3	1.4	8
Aerospace & Defence	33.3	1.5	84.1	2.0	8
General Industrials	14.0	0.6	38.4	0.9	4
Electronic & Electrical Equip.	7.1	0.3	21.4	0.5	9
Industrial Engineering	14.9	0.7	47.4	1.1	9
Industrial Transportation	13.0	0.6	19.2	0.5	4
Support Services	107.7	4.9	212.6	5.1	41
Automobiles & Parts	5.6	0.2	17.0	0.4	1
Beverages	10.0	0.4	102.6	2.4	1
Food Producers	14.2	0.6	30.3	0.7	8
Household Goods & Home Const	39.9	1.8	153.1	3.6	11
Personal Goods	10.4	0.5	110.6	2.6	6
Tobacco	47.1	2.1	254.2	6.0	2
Healthcare Equipment & Services	16.1	0.7	36.8	0.9	11
Pharmaceuticals & Biotechnology	116.7	5.3	340.7	8.1	16
Food & Drug Retailers	26.2	1.2	44.5	1.1	5
General Retailers	22.9	1.0	73.2	1.7	14
Media	92.5	4.2	159.7	3.8	14
Travel & Leisure	92.1	4.2	191.7	4.6	22
Fixed Line Telecommunications	48.0	2.2	57.5	1.4	1
Mobile Telecommunications	59.8	2.7	84.7	2.0	2
Electricity	10.9	0.5	29.2	0.7	2
Gas Water & Multiutilities	52.4	2.4	123.7	2.9	5
Banks	437.6	19.8	417.4	9.9	10
Nonlife Insurance	33.4	1.5	42.5	1.0	6
Life Insurance	104.2	4.7	202.6	4.8	7
Real Estate Invest & Services	8.4	0.4	12.3	0.3	5
Real Estate Investment Trusts	76.8	3.5	106.5	2.5	16
Financial Services	59.5	2.7	102.4	2.4	18
Equity Investment Instruments	119.1	5.4	224.3	5.3	31
Software & Computer Services	18.8	0.8	37.4	0.9	11
Technology Hardware & Equipment	7.4	0.3	6.2	0.2	5
Other Equities	0.0	0.0	0.0	0.0	2
Totals	**2,214.7**	**100**	**4,212.1**	**100**	**373**

Analysis of overseas equity investments as at 31 March 2017

Country	Book cost		Market Value		No of Companies
	£M	%	£M	%	
Australia	136.7	5.1	211.6	4.1	37
Austria	4.1	0.2	7.9	0.2	8
Belgium	9.9	0.4	8.6	0.2	3
Brazil	60.4	2.3	47.1	0.9	37
Canada	47.8	1.8	83.5	1.6	13
Chile	3.9	0.1	3.1	0.1	6
China	128.5	4.8	189.9	3.7	52
Columbia	2.8	0.1	1.5	0.0	2
Denmark	28.5	1.1	67.7	1.3	15
Ireland	14.4	0.5	38.5	0.8	14
Finland	33.5	1.3	52.3	1.0	17
France	103.2	3.9	210.1	4.1	39
Germany	103.3	3.9	204.5	4.0	36
Greece	6.5	0.2	2.0	0.0	12
Hong Kong	73.9	2.8	123.7	2.4	36
India	95.2	3.6	160.0	3.1	2
Indonesia	17.0	0.6	30.8	0.6	11
Italy	68.2	2.5	90.3	1.8	38
Japan	406.4	15.2	718.9	14.0	90
Korea	54.8	2.0	155.8	3.0	25
Malaysia	20.5	0.8	27.5	0.5	16
Mexico	23.9	0.9	36.3	0.7	22
Netherlands	40.2	1.5	93.9	1.8	15
Norway	23.2	0.9	41.8	0.8	25
Peru	4.8	0.2	5.6	0.1	3
Philippines	13.7	0.5	24.6	0.5	8
Portugal	6.7	0.2	8.1	0.2	9
Singapore	40.1	1.5	56.4	1.1	22
South America	6.8	0.2	16.5	0.3	1
Spain	76.8	2.9	137.0	2.7	28
Sweden	56.2	2.1	106.9	2.1	38
Switzerland	53.6	2.0	193.9	3.8	18
Taiwan	46.3	1.7	88.8	1.7	28
Thailand	18.9	0.7	45.8	0.9	19
United States	630.8	23.6	1,374.6	26.8	116
Other Asian	17.2	0.6	44.6	0.9	1
Other Eastern European	30.0	1.1	74.2	1.5	4
Other International	58.2	2.2	118.1	2.3	16
Other Western European	107.5	4.0	225.5	4.4	8
Totals	**2,674.4**	**100.0**	**5,127.9**	**100**	**890**

List of twenty largest holdings at 31 March 2017

	Market Value	% of Total Investment
	£m	%
HSBC	207.1	1.54
British American Tobacco	181.5	1.35
BP	171.4	1.28
Glaxosmithkline	153.8	1.14
Royal Dutch Shell B	144.7	1.08
Royal Dutch Shell A	131.5	0.98
Astrazeneca	118.6	0.88
Diageo	102.6	0.76
Jupiter India Select	100.2	0.75
Quellos	89.0	0.66
Prudential	87.3	0.65
Unilever (UK)	85.8	0.64
Reckitt Benckiser Group	85.4	0.63
Aurum wypf mgd port	82.4	0.61
Aurum Isis Inst	81.9	0.61
Treasury GIL 3.25 2044	80.7	0.6
Treasury IXL 2029	78.1	0.58
Vodafone	76.9	0.57
Lloyds Banking Group	76.4	0.57
Rio Tinto	76.2	0.57
Total	**2,211.5**	**16.45**

Section 9
Actuary's report

Statement of the actuary for the year ended 31 March 2017

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had fallen slightly since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £11,211.5M) covering 94% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 is:

   16.2% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

   Plus

   Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017 (the secondary rate), equivalent to 2.4% of pensionable pay (or £42.5M in 2017/18, and increasing by 3.25% p.a. thereafter).

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2017 (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.
4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in the stepping of contribution increases, individual employers' recovery periods and allowance for post-valuation date market conditions as agreed with the administering authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled body employers*	4.7% p.a.
Orphan employers	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body employers*	4.7% p.a.
Orphan employers	2.5% p.a.
Rate of pay increases	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

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

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The assets were valued at market value.

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

   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) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions (CMI_2016_Proposed2015), 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 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.0	25.1
Future pensioners aged 45 at the valuation date	22.9	26.9

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

10. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address.

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

Aon Hewitt Limited

April 2017

Section 10
Auditor’s Report

Independent auditor's report to the members of City of Bradford Metropolitan District Council on the pension fund financial statements

We have examined the pension fund financial statements for the year ended 31 March 2017, which comprise the Fund Account, the Net Assets Statement and the related notes. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Members of City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Strategic Director – Corporate Services and the auditor

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

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of City of Bradford Metropolitan District Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

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

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of City of Bradford Metropolitan District Council for the year ended 31 March 2017 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Mark Kirkham

For and on behalf of Mazars LLP

Mazars House
Gelderd House
Gildersome
Leeds
LS27 7JN

Date: 29th September 2017

Section 12
Statement of Accounts

Statement of accounts

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

The Strategic Director – Corporate Services is responsible for the preparation of the Statement of Accounts, which is required to present fairly the financial position of the Fund at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

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

Fund Account for the year ended 31 March 2017

	Note	31 March 2017	Restated 31 March 2016
		£000	£000
Dealings with members, employers and others directly involved in the Fund			
Contributions receivable	4	382,610	372,724
Transfers in	5	22,632	20,371
Non-statutory pensions and pensions increases recharged	6	22,667	23,475
		427,909	**416,570**
Benefits payable	7	-472,524	-456,101
Non-statutory pensions and pensions increase	6	-22,667	-23,475
Payments to and on account of leavers	8	-20,129	-20,733
		-515,320	**-500,309**
Net additions/(withdrawals) from dealing with members		**-87,411**	**-83,739**
Management expenses	11	-10,278	-9,389
Net additions/(withdrawals) including management expenses		**-97,689**	**-93,128**
Returns on investments			
Investment income	13	341,464	314,619
Taxes on income		-6,399	-3,538
Profit and losses on disposal of and changes in value of investments	15	2,180,570	-329,255
Stock lending	15c	3,404	3,008
Underwriting commission		0	49
Net return on investments		**2,519,039**	**-15,117**
Net increase in the net assets available for benefits during the year		**2,421,350**	**-108,245**
Opening net assets of the Fund		**11,210,980**	**11,319,225**
Closing Net assets of the Fund		**13,632,330**	**11,210,980**

Management expenses and profit and loss on disposal of and change in value of investment figures now include transaction costs in line with CIPFA disclosure guidelines. The figures for reporting period 2015-16 have been restated to reflect these costs.

Net Assets Statement at 31 March 2017

	Note	31 March 2017	31 March 2016
		£000	£000
Investment assets			
Bonds	15	1,212,644	1,129,723
Equities (including convertible shares)	15	9,926,738	7,896,646
Index-linked securities	15	656,523	580,259
Pooled investment vehicles	15	1,600,718	1,389,330
Direct Property	15	7,000	6,500
Cash deposits	15	136,580	126,100
Other investment balances	15	37,934	40,689
Investment liabilities			
Other investment balances	15	-5,873	-5,950
Total net investments		**13,572,264**	**11,163,297**
Current assets			
Debtors	18	47,605	50,345
Cash balances (not forming part of the investment assets)		32,549	8,763
Current liabilities			
Creditors	19	-20,088	-11,425
Net current assets and liabilities		**60,066**	**47,683**
Net assets of the scheme available to fund benefits		**13,632,330**	**11,210,980**

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2017. 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 10.

Signed:

Stuart McKinnon-Evans

Strategic Director – Corporate Services

City of Bradford Metropolitan District Council

29 September 2017

Notes to the accounts

Note 1. Accounting policies

Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2016/17 financial year and its financial position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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 10.

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.

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

Transfers in and out of the Fund

Transfer values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

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

Benefits payable

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

Management expenses

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative expenses

All administrative expenses are accounted for on an accruals basis. 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 therefore increase or reduce as the value of the investments 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 are charged direct to investment management expense and a proportion of the Fund's management costs which represents management time spent by officers on investment management is also charged investment to management expenses.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 10)

Cash and cash equivalents

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

Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Investment income

Interest income

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

Property related income

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

Dividend income

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

Distribution from pooled funds

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

Movement in the net market value of investments

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

Taxation

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

Financial assets

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

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). 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 Equitable Life 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 showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only. (Note 9)

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.

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

Proceeds of sales of foreign assets are translated into Sterling

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

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

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

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

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

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

Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

Netting

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

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

And

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

Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in a note 22 to the accounts.

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

Investment transactions

Investment transactions occurring up to 31 March 2017 but not settled until later are accrued in the accounts.

Note 2. Critical accounting estimates, judgements and assumptions made about the future and other major sources of estimation uncertainty

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

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

Fair value of financial instruments

In accordance with the Code and IFRS13, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 19. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

Retirement benefit obligations

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

Note 3. 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:

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

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

There have been no such events since 31 March 2017, and up to the date when these accounts were authorised that require any adjustments to these accounts

Note 4. Contributions received

	2016/17	2015/16
By category	**£000**	**£000**
Employers	271,661	262,685
Employees	110,949	110,039
Total	**382,610**	**372,724**

By type of employer	**£000**	**£000**
Administering Authority	46,699	48,289
Scheduled bodies	291,872	283,909
Admitted bodies	44,039	40,526
Total	**382,610**	**372,724**

By type	**£000**	**£000**
Employees normal contributions	106,470	105,659
Employees additional contributions	4,479	4,380
Employer's normal contributions	247,600	242,691
Employers deficit contributions	24,061	19,994
Total	**382,610**	**372,724**

Employers' contribution rates and deficit contributions

At the triennial valuation (31 March 2016) the Actuary calculated an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1 April 2014, and there are several tiered employee contribution rates. For 2016/17 the rates start at 5.5% payable by employees with salaries up to £13,600 a year, and the highest rate is 12.5% to be paid on salaries over £151,800 a year.

Note 5. Transfers in from other pension funds

	2016/17	2015/16
	£000	**£000**
Individual transfers in from other schemes	22,632	20,371
Total transfers in	**22,632**	**20,371**

Note 6. Non-statutory pensions increase and recharges

	2016/17	2015/16
	£000	£000
Pensions	22,667	23,475
Total	**22,667**	**23,475**

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

Note 7. Benefits payable

	2016/17	2015/16
	£000	£000
Pensions		
Funded pensions – retired employees	-341,574	-330,091
Funded pensions – dependants	-28,573	-27,799
Total pensions	**-370,147**	**-357,890**
Lump sums		
Funded lump sums on retirement	-90,006	-87,235
Funded lump sums on death	-12,371	-10,976
Total benefits paid in year	**-472,524**	**-456,101**
Benefits payable by type of employers		
Pensions		
Administering Authority	-71,405	-67,904
Scheduled bodies	-337,029	-327,330
Admitted bodies	-58,630	-55,805
Other interested bodies with no pensionable employees	-5,460	-5,062
Total benefits paid in year	**-472,524**	**-456,101**

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

Note 8. Payments to and on account of leavers

	2016/17	2015/16
	£000	£000
Refund of contributions	-1,469	-979
Individual transfers	-17,990	-18,205
Bulk transfers	-670	-1,549
	-20,129	**-20,733**

Note 9. AVC Scheme – Equitable Life, Scottish Widows and Prudential

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

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

	2016/17	2015/16
	£000	£000
Value of funds at 1 April	**24,212**	**24,282**
Contributions received	5,544	4,604
Transfers and withdrawals	245	43
Internal transfers	67	0
Interest and bonuses/change in market value of assets	3,223	-79
Sale of investments to settle benefits due to members	-5,001	-4,641
Value of funds at 31 March	**28,290**	**24,209**

AVC investments by providers	Active members	Members 2016/17	Members 2015/16	2016/17	2015/16
				£000	£000
Equitable Life	45	565	626	2,547	2,772
Prudential	1,642	1,752	1,585	13,278	9,779
Scottish Widows	335	1,209	1,318	12,465	11,658
Total	**2,022**	**3,526**	**3,529**	**28,290**	**24,209**

Note 10. Actuarial present value of promised retirement benefits

Introduction

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

The Fund provides defined benefits, which for membership to 31 March 2014, are based on member's 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 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 valuation (Actuarial statement on p68).

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

Actuarial present value of promised retirement benefits

Paragraph 6.5.2.7 of CIPFA's Code of Practice on local authority accounting for 2016/17 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2016, together with the results as at 31 March 2013 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

	31 March 2016	31 March 2013
	£m	£m
Fair value of net assets	11,211.0	9,940.3
Actuarial present value of the promised retirement benefits	14,085.4	12,259.3
Surplus / (deficit) in the Fund as measured for IAS26 purposes	**-2,874.4**	**-2,319.0**

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2016. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2016	31 March 2013
	%pa	% p.a.
Discount rate	3.40	4.50
RPI Inflation	2.90	3.40
CPI Inflation (pension increases)*	1.80	2.40
Rate of general increase in salaries **	3.05	3.90

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

** In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date

Principal demographic assumptions

Post retirement mortality	31 March 2016	31 March 2013
Males		
Base table	Standard SAPS S2 All Pensioners (S2PMA	Standard SAPS Normal Health All Amounts
		(S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105% for current male pensioners 115% for future male pensioners	105%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_ Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.

Post retirement mortality	31 March 2016	31 March 2013
Future lifetime from age 65 (currently aged 65)	21.3	22.5
Future lifetime from age 65 (currently aged 45)	22.9	24.7
Females		
Base table	Standard SAPS S2 All Pensioners (S2PFA)	Standard SAPS Normal Health All Amounts tables (S1NFA)
Rating to above base table *	0	0
Scaling to above base table rates **	90% for current female pensioners 90% for future female pensioners	100%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_ Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	25.1	25.4
Future lifetime from age 65 (currently aged 45)	26.9	27.7

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

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

	31 March 2016	31 March 2013
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.	Each member 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

Note 11. Management expenses

	2016/17	Restated 2015/16
	£000	£000
Administration costs	-3,879	-3,818
Investment management expenses	-5,562	-4,888
Oversight and Governance	-837	-683
Total	**-10,278**	**-9,389**

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Investment management expenses above includes -£19k in respect of performance related fees paid (2015/16 -£32k) and also a statutory audit fee of -£48k (2015-16 -£48k). No other fees have been paid to the external auditor

Investment management expenses (2015/16) have been restated in order to account for £1,890k transaction costs to be consistent with 2016/17 costs. Transaction costs are included to comply with CIPFA guidance.

Note 12. Investment Expenses

	2016/17	Restated 2015/16
	£000	£000
Internal management costs	-2,582	-2,573
Transaction costs	-2,503	-1,890
Custody fees	-477	-425
Total	**-5,562**	**-4,888**

Investment management expenses (2015/16) have been restated in order to account for £1,890k transaction costs to be consistent with 2016/17 costs. Transaction costs are included to comply with CIPFA guidance.

Note 13. Investment income

	2016/17	2015/16
	£000	£000
Income from Bonds	42,986	41,343
Dividends from equities	269,985	246,768
Income from index-linked securities	3,653	5,451
Income from pooled funds	23,492	19,408
Income from Direct Property	416	415
Interest on cash deposits	932	1,234
Total	**341,464**	**314,619**

a. Analysis of Investment income accrued

	2016 UK	2017 UK	2016 NON UK	2017 NON UK	2016 GLOBAL	2017 GLOBAL	2016 TOTAL	2017 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Bonds	9,703	9,047	1,964	1,953	0	0	11,667	11,000
Equities	24,668	16,784	1,135	239	0	0	25,803	17,023
Index Linked Securities	245	756	95	77	0	0	340	833
Pooled Investment Vehicles	0	0	0	0	0	0	0	0
Direct Property holdings	311	220	0	0	0	0	311	220
Cash and cash equivalents	396	247	0	0	0	0	396	247
Total	**35,323**	**27,054**	**3,194**	**2,269**	**0**	**0**	**38,517**	**29,323**

Note 14. Direct Property Holdings

	2016/17	2015/16
	£000	£000
Opening balance	6,500	6,000
Additions:		
Purchases	0	25
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net increase / decrease in market value	500	475
Other changes in fair value	0	0
Total	**7,000**	**6,500**

Note 15. Investments

Movement in the value of investments in 2016/17

	Opening value at 01 Apr 16	Purchases cost	Sales proceeds	Change in Market Value	Closing value at 31 Mar 17
	£000	£000	£000	£000	£000
Bonds	1,129,723	249,506	-236,606	70,021	1,212,644
Equities	7,896,646	660,380	-444,688	1,814,400	9,926,738
Index linked securities	580,259	63,913	-77,003	89,354	656,523
Pooled funds	1,389,330	55,500	-50,407	206,295	1,600,718
Direct Property	6,500	0	0	500	7,000
Cash deposits	126,100	10,480	0	0	136,580
Other Investment Debtors	40,689	0	-2,755	0	37,934
Other Investment Creditors	(5,950)	77	0	0	-5,873
Totals	**11,163,297**	**1,039,856**	**-811,459**	**2,180,570**	**13,572,264**

Movement in the value of investments in 2015/16

Investments	Opening value at 01 Apr 15	Restated Purchases cost	Restated Sales proceeds	Restated change in Market Value	Closing value at 31 Mar 16
	£000	£000	£000	£000	£000
Bonds	1,096,230	240,122	-195,662	-10,967	1,129,723
Equities	7,974,012	705,255	-435,536	-347,085	7,896,646
Index linked securities	608,117	124,716	-153,779	1,205	580,259
Pooled funds	1,354,482	72,799	-65,068	27,117	1,389,330
Direct Property	6,000	25	0	475	6,500
Cash deposits	181,000	0	-54,900	0	126,100
Other Investment Debtors	41,056	0	-367	0	40,689
Other Investment Creditors	(6,000)	50	0	0	(5,950)
Totals	**11,254,897**	**1,142,967**	**-905,312**	**-329,255**	**11,163,297**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. Purchases and Sales have been restated to reflect the impact of transaction costs which occurred during 2015/16.

15a. Investments analysis by security type

	2016/17	2015/16
	£000	£000
Bonds:		
Public sector quoted	706,031	657,199
Other quoted	498,420	453,431
Unquoted	8,193	19,093
Total Bonds	**1,212,644**	**1,129,723**
Equities:		
Quoted	8,908,077	7,156,337
Unquoted	1,018,661	740,309
Total equities	**9,926,738**	**7,896,646**
Index linked securities:		
Public sector quoted	643,661	558,032
UK other quoted	12,862	22,227
Total index linked securities	**656,523**	**580,259**
Managed and unitised funds:		
Hedge funds	254,255	228,660
Property	582,292	542,902
Other	764,171	617,768
Total managed funds	**1,600,718**	**1,389,330**
Direct Property	**7,000**	**6,500**
Cash deposits	136,580	126,100
Other Investment assets	37,934	40,689
Other Investment liabilities	-5,873	-5,950
Total	**13,572,264**	**11,163,297**

The table shown above is a combination of all West Yorkshire Pension Fund Uk and Overseas assets.

15b. Concentration of investments

Statement of Recommended Practice for Pension Funds (SORP) and Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investment exceeds 5% of the value of the scheme.

Those which exceed 5% of a class of security are listed below:

	2016/17	2015/16
	£000	£000
Bonds		
Treasury 3.25% 2044	80,668	56,836
Index linked securities		
Treasury 2022	n/a	35,280
Treasury 2024	38,922	35,367
Treasury 2026	45,783	41,144
Treasury 2029	78,101	93,397
Treasury 2034	67,610	58,241
Treasury 2040	48,027	39,026
Treasury 2044	74,940	38,945
US Treasury 2042	44,166	37,745
Managed and unitised funds		
Aurum ISIS Sterling Fund	81,902	77,644
Aurum WYPF Mgd	82,416	n/a
QIP Ltd	89,032	83,249
Jupiter India Select	100,215	n/a
Direct Property	7,000	6,500

n/a=no investments

15c. Stock lending

	2016/17	2015/16
	£000	£000
UK stock lending		
Income - Bonds	91	52
Income - UK equities	950	1,020
Overseas equities	2,451	1,993
	3,492	**3,065**
Less - costs	**-88**	**-57**
Total	**3,404**	**3,008**

At 31 March 2017, £1.2 billion of stock was on loan to market makers, (31 March 2016 £915.0m) and this was covered by collateral totalling £1.3billion, (31 March 2016 £974.0m). The collateral comprised of UK & International Government Bonds £668.3m, (31 March 2016, £362.2m) International Equities £344.1m, (31 March 2015, £411.5m), UK Equities £257.6m, (31 March 2016 £199.8m), Cash £0.0m (31 March 2016 £0.3m) and Certificates of Deposit £0.0m (31 March 2016, £0.4m). All our securities out on loan are

fully indemnified by HSBC our custodian.

Note 16. Fair Value – Basis of valuation

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

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted investments	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.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Pooled investment- overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published - closing single price where single price is published. Valuations for Property Funds are provided by Fund managers and where available closing bid price is used.	NAV - based pricing set on a forward pricing basis	Not required
Pooled investments - hedge funds	Level 3	Closing bid price where bid and offer prices are published - closing single price where single price is published	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain assurance over valuations provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.	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 – Professional Standards global January 2014 including the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) ("the Red Book").	Existing lease terms - Independent market research - Nature of tenancies - Estimated growth - assumed vacancy levels - discount rate	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate	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

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 31st March 2017.

	Assessed valuation range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments - hedge funds	10%	254.3	279.7	228.9
Freehold and leasehold properties	10%	7.0	7.7	6.3
Private equity	15%	993.8	1,142.8	844.7

	Assessed valuation range (+/-)	Value at 31 March 2016	Value on increase	Value on decrease
		£000	£000	£000
Pooled investments - hedge funds	10%	228.7	251.5	205.8
Freehold and leasehold properties	10%	6.5	7.2	5.9
Private equity	15%	715.6	822.9	608.3

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

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

Level 2 valuations are those where quoted market prices are not available, for example where the financial asset is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Financial asset classified as level 2 are property funds.

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The table below provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's Net Asset Statement, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Valuation hierarchy

	Level 1	Level 2	Level 3	Total
31 March 2017	**£m**	**£m**	**£m**	**£m**
Financial assets				
Financial assets at fair value through profit or loss	11,533	590	1,273	13,396
Loans and receivables	175	0	0	175
Total financial assets	**11,708**	**590**	**1,273**	**13,571**
Financial liabilities				
Financial liabilities at amortised cost	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

31 March 2016	**Restated £m**	**Restated £m**	**Restated £m**	**Restated £m**
Financial assets				
Financial assets at fair value through profit or loss	9,465	562	969	10,996
Loans and receivables	126	0	0	126
Total financial assets	**9,591**	**562**	**969**	**11,122**
Financial liabilities				
Financial liabilities at amortised cost	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

Note 17. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading.

31 March 2017	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities at amortised cost	Total financial assets / liabilities
	£000	£000	£000	£000
Financial Assets				
Bonds	1,212,644	0	0	1,212,644
Equities	9,926,738	0	0	9,926,738
Index-linked securities	656,523	0	0	656,523
Pooled investment vehicles	1,600,718	0	0	1,600,718
Cash deposits (Investments)	0	136,580	0	136,580
Cash balances (not forming part of the investment assets)	0	32,549	0	32,549
Other investment balances	0	37,934	0	37,934
Debtors	0	47,605	0	47,605
Total financial assets	**13,396,623**	**254,668**	**0**	**13,651,291**
Financial Liabilities				
Other investment balances	0	0	-5,873	-5,873
Creditors	0	0	-20,088	-20,088
Total financial liabilities	**0**	**0**	**-25,961**	**-25,961**

All net gains or losses on financial instruments are on those classified as financial assets at fair value through profit or loss.

31 March 2016	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities at amortised cost	Total financial assets / liabilities
	£000	£000	£000	£000
Financial Assets				
Bonds	1,129,723	0	0	1,129,723
Equities	7,896,646	0	0	7,896,646
Index-linked securities	580,259	0	0	580,259
Pooled investment vehicles	1,389,330	0	0	1,389,330
Cash deposits (Investments)	0	126,100	0	126,100
Cash balances (not forming part of the investment assets)	0	8,763	0	8,763
Other investment balances		40,689	0	40,689
Debtors	0	50,345	0	50,345
Total financial assets	**10,995,958**	**225,897**	**0**	**11,221,855**
Financial Liabilities				
Other investment balances	0	0	-5,950	-5,950
Creditors	0	0	-11,425	-11,425
Total financial liabilities	**0**	**0**	**-17,375**	**-17,375**

Note 18. Current assets -Debtors

Debtors

	2016/17	2015/16
	£000	**£000**
Contributions due from employers	26,158	26,382
Other Debtors	21,447	23,963
	47,605	**50,345**
By type of body:		
Central government bodies	34	55
Other local authorities	40,080	42,959
NHS bodies	53	55
Public corporations and trading funds	1,177	1,161
Bodies external to general government	6,261	6,115
	47,605	**50,345**

Note 19. Current liabilities

Creditors

	2016/17	2015/16
	£000	**£000**
Unpaid benefits	-7,098	-6,206
Other current liabilities	-12,990	-5,219
	-20,088	**-11,425**
By type of body:		
Central government bodies	-4,622	-4,247
Other local authorities	-8,000	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Bodies external to general government	-7,466	-7,178
	-20,088	**-11,425**

Note 20. 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 2016/17, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £347,130 in respect of support services provided (£438,136 in 2015/16). The support costs for 2016/17 included a full year support for financial, legal and information technology services and a part year charge for accommodation

Employers

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in Section 5 of the Annual report. Contributions in respect of March 2017 payroll are included within the debtors figure in note 18.

UK Central government bodies

The UK Government is a related party as it provides the statutory framework within which the Pension Fund operates. Balances outstanding with the Central government bodies are included within notes 18 and 19.

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 West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £119,064 (2015/16 £117,964). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31st March 2017 was valued at £24.67m (£19.2m 31st March 2016), and has an original cost of £4.9m. There has been no investment activity with the Fund during 2016/17. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc, for which he is paid a fee.

Note 21. Nature and extent of risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension Fund risk management programme.

The management of risk is set out in the Fund's Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at the end of this document and also at www.wypf.org.uk

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure that the Fund's investment portfolio, which is managed in-house, agrees with policy and strategy with regard to asset allocation.

The Fund routinely monitors all risks in accordance with the Fund's risk management strategy.

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 equity holdings are spread across more than 300 UK companies, and almost 900 foreign companies, and a range of unit trusts and managed Funds.

Risk is controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable.

Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's actuary.

Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

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 2016/17 reporting period.

	2016/17	2015/16
Asset Type	Potential Market Movement +/- (%p.a.)	Potential Market Movement +/- (%p.a.)
UK equities	9.2	10.4
Overseas equities	8.3	9.6
UK gilts	6.3	6.1
UK corporate bonds	4.7	4.8
UK index-linked	7.5	7.3
Overseas bonds	9.0	9.1
Alternatives (universe)	3.1	4.4
Property	0.7	1.7
Cash	0.3	0.2

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

This can then be applied to the period end asset mix as follows.

Asset type	Value as at 31 March 2017	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	4,760,457	9.2	5,198,419	4,322,495
Overseas Equities	5,166,281	8.3	5,595,082	4,737,480
UK Gilts	507,332	6.3	539,294	475,370
UK Corps	440,171	4.7	460,859	419,483
UK Index-Linked	592,134	7.5	636,544	547,724
Overseas Bonds	329,530	9.0	359,188	299,872
Alternatives (Universe)	1,018,426	3.1	1,049,997	986,855
Direct Property	7,000	0.7	7,049	6,951
UK Properties	503,700	0.7	507,226	500,174
Overseas Properties	78,592	0.7	79,142	78,042
Cash	136,580	0.3	136,989	136,170
Other investment assets	37,934	0.0	37,934	37,934
Other investment liabilities	(5,873)	0.0	(5,873)	(5,873)
Total Investment Assets	**13,572,264**		**14,601,850**	**12,542,677**

Asset type	Value as at 31 March 2016	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	4,394,978	10.4	4,852,056	3,937,900
Overseas equities	3,501,668	9.6	3,837,828	3,165,508
UK gilts	488,485	6.1	518,283	458,687
UK corporate bonds	402,815	4.8	422,150	383,480
UK index-linked	522,880	7.3	561,050	484,710
Overseas bonds	295,802	9.1	322,720	268,884
Alternatives (universe)	846,428	4.4	883,671	809,185
Direct Property	6,500	1.7	6,611	6,390
UK Properties	487,331	1.7	495,616	479,046
Overseas Properties	55,571	1.7	56,516	54,626
Cash	126,100	0.2	126,352	125,848
Other investment assets	40,689	0.0	40,689	40,689
Other investment liabilities	-5,950	0.0	-5,950	-5,950
Total investment assets	**11,163,297**		**12,117,592**	**10,209,003**

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 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2017	31 March 2016
	£000	£000
Bonds	1,212,644	1,129,723
Cash deposits	136,580	126,100
Cash balances	32,549	8,763
Total	**1,381,773**	**1,264,586**

Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The assumed interest rate volatility is 100 basis point (BPS) per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 March 2017	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,212,644	12,126	-12,126
Cash deposits	136,580	1,366	-1,366
Cash balances	32,549	325	-325
Total	**1,381,773**	**13,817**	**-13,817**

Asset type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,129,723	11,297	-11,297
Cash deposits	126,100	1,261	-1,261
Cash balances	8,763	88	-88
Total	**1,264,586**	**12,646**	**-12,646**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The following table summarises the Fund's currency exposure as at 31 March 2017 and 31 March 2016.

Currency exposure - asset type	Value as at 31 March 2017	Value as at 31 March 2016
	£000	£000
Overseas quoted bonds	265,141	238,423
Overseas unquoted bonds	0	0
Overseas quoted equities	4,531,286	3,014,307
Overseas unquoted equities	634,995	487,361
Overseas quoted index linked securities	64,389	57,379
Overseas unit trusts	596,484	473,380
Property funds	78,592	55,571
Total overseas assets	**6,170,887**	**4,326,421**

Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2015/16 6.0%).

A 6.0% 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 as at 31 March 2017	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted bonds	265,141	281,049	249,233
Overseas unquoted bonds	0	0	0
Overseas quoted equities	4,531,286	4,803,163	4,259,409
Overseas unquoted equities	634,995	673,094	596,895
Overseas quoted index linked securities	64,389	68,252	60,526
Overseas unit trusts	596,484	632,273	560,695
Property funds	78,592	83,308	73,876
Total overseas assets	**6,170,887**	**6,541,139**	**5,800,634**

Asset type	Value as at 31 March 2016	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted bonds	238,423	252,728	224,118
Overseas unquoted bonds	0	0	0
Overseas quoted equities	3,014,307	3,195,166	2,833,449
Overseas unquoted equities	487,361	516,603	458,119
Overseas quoted index linked securities	57,379	60,822	53,936
Overseas unit trusts	473,380	501,783	444,977
Property funds	55,571	58,905	52,237
Total overseas assets	**4,326,421**	**4,586,007**	**4,066,836**

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition the Fund is fully indemnified by HSBC Securities on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 15c.

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 22. Contingent liabilities and contractual commitments

At 31 March 2017 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 March 2017	Un-drawn commitments
	£m	£m
Asset class		
Private equity	993.8	756.5
Property funds	582.3	100.3
	1,576.10	**856.8**

At 31 March 2016 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 March 2016	Un-drawn commitments
	£m	£m
Asset class		
Private equity	715.6	440.8
Property funds	542.9	101.8
	1,258.5	**542.6**

Note 23. Accounting Developments

The following accounting standards have been issued but are not applicable for the year ending 31 March 2017.

IFRS 9 Financial Instruments (replacement of IAS 39)

The International Accounting Standards Board completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Recognition and Measurement.

IFRS 9 requires financial assets to be classified into one of three measurement categories:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); or
- fair value through profit or loss (FVTPL).

These changes are not expected to have a significant impact on the Fund.

Note 24. Statement of Investment Principles

The West Yorkshire Pension Fund has prepared a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended). Full details of the SIP and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website www.wypf.org.uk.

Appendix A
Resolving Complaints

Internal dispute resolution procedure

With pensions being such a complicated issue it's inevitable that occasionally disagreements between members, employers and WYPF arise.

When disagreements do happen we do all we can to try to resolve them informally and reach an agreement.

But this isn't always possible. The scheme provides a formal way for disagreements to be resolved: the Internal Disputes Resolution Procedure.

The Internal Disputes Resolution Procedure is a two-stage process.

Stage 1 gives scheme members a chance to have a disagreement reviewed by either the employer or WYPF, depending on whom the dispute is against. The review will be undertaken by an "adjudicator", specified by the body which was responsible for making the original decision being appealed. The member must apply for a review under Stage 1 within 6 months of the disagreement coming to light.

If the scheme member or their employer is not happy with the outcome of the Stage 1 review, they can refer the matter to the administering authority for review under the procedure's second stage.

If further help is needed

The Pensions Advisory Service (TPAS) can also help with resolving disputes if both stages of the Internal Disputes Resolution Procedure have not provided an agreement.

The Pensions Ombudsman settles disputes and investigates complaints that TPAS has not been able to settle. The Ombudsman's decision is final and binding on all the parties to a dispute.

Policing pension schemes

The Pensions Regulator was set up following the 1995 Pensions Act. Its main role being to protect pension scheme members'. From 1 April 2015 the Pensions Regulator's remit was extended to cover Public Service Pension Schemes. The Pension Regulator issued a Code of Practice on Governance and administration of Public Service Pension Schemes, which provides practical guidance in relation to the exercise of functions under relevant pensions legislation and sets out standards of conduct and practice expected from those who exercise those functions.

Appendix B
Further Information and Contacts

WYPF senior management team

Director – West Yorkshire Pension Fund	Rodney Barton Phone: 01274 432317 E-mail rodney.barton@wypf.org.uk
WYPF administration	
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Service Centre Group Manager	Grace Kitchen Phone 01274 434266 E-mail grace.kitchen@wypf.org.uk
Financial Controller	Ola Ajala Phone 01274 434534 E-mail ola.ajala@wypf.org.uk
WYPF Investments	
Chief Investment Officer (UK)	Debra Hopkins Phone 01274 432318 E-mail debra.hopkins@wypf.org.uk
Chief Investment Officer (UK)	Joanna Wilkinson Phone 01274 432038 E-mail joanna.wilkinson@wypf.org.uk
Chief Investment Officer (Overseas)	Colin Standish Phone 01274 432748 E-mail colin.standish@wypf.org.uk

Our office at Ground Floor Aldermanbury House, 4 Godwin Street in Bradford is open Monday to Friday between 8.45am and 4.30pm.

Company information

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Appendix C
Glossary of Terms

Glossary of terms

Active member

An employee who is currently paying pension contributions.

Actuarial valuation

West Yorkshire Pension Fund's actuary carries out an actuarial valuation every three years and recommends the level of contributions for each of the fund's participating employers for the following three years. The valuation will measure the size of the fund against its future liabilities and set contribution rates according to the fund's deficit or surplus.

Additional voluntary contributions (AVCs)

These are extra payments to increase future benefits. Members can also pay AVCs to provide additional life cover.

All local government pension funds have an in-house AVC scheme that members can invest money in through an AVC provider, often an insurance company or building society.

Administering authority

The LGPS is run by administering authorities, for example county councils, in accordance with regulations approved by parliament. Each administers their own fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each fund and set the rate at which the participating employers must contribute to fully fund the payment of scheme benefits for that fund's membership.

Admission body

An admission body is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities and contractors.

Asset allocation

This is putting an investment strategy in place that tries to balance risk against reward by adjusting the percentage of each asset in an investment portfolio according to an investor's risk tolerance, goals and investment time frame.

Best Value

Best Value was introduced in England and Wales by the Local Government Act 1999. Its provisions came into force in April 2000. The aim was to improve local services in terms of both cost and quality. A Best Value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account a combination of economy, efficiency and effectiveness.

Brent oil price

Brent Crude is a major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. It is quoted in US$ in price per barrel.

Career average revalued earnings (CARE) pension scheme

From 1 April 2014, for every year they pay into the LGPS, scheme members get a pension of 1/49th of their pay, which is added to their pension account and revalued every year in line with a government treasury order currently linked to the Consumer Prices Index.

Cash equivalent value (CEV)

This is the cash value of a member's pension rights for the purposes of divorce or dissolution of a civil partnership.

Consumer Price Index (CPI)

This is a method of measuring the changes in the cost of living, similar to the Retail Price Index. From April 2011 the amount pensions are increased annually is based on movement in the Consumer Price Index during the 12 months to the previous September.

Contracted out

The LGPS is contracted out of the State Second Pension Scheme (S2P). This means that, up to state pension age, members pay reduced National Insurance contributions between the lower and upper earnings limits, unless they opted to pay the married woman's/ widow's reduced rate of National Insurance, and do not earn a pension under S2P.

Commutation

This is giving up part or all of the pension payable from retirement in exchange for an immediate lump sum.

Convertible shares

These are shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

Custodian

This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

Data governance

This refers to the overall management of the availability, usability, integrity, and security of data used in an enterprise. A sound data governance programme includes a governing body, a defined set of procedures, and a plan to execute those procedures.

Death grant

This is a lump sum paid by the pension fund to the dependants or nominated representatives of a member who dies.

Deferred pensioner

A former member of the LGPS who has left the scheme, but still has benefits in the scheme and will collect a pension from the LGPS on retirement.

Deficit payments

Pension schemes have a legal requirement to reduce any deficit – the difference between a scheme's assets and its liabilities – over time, by making additional payments.

Denomination

This is the face value of a banknote, coin, or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction, or the currency a financial asset is quoted in.

Designating body

Designating bodies are bodies that can designate employees for access to the Scheme. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, Transport for London, and the Children and Family Court Advisory and Support Service, among others, can be designated for membership of the scheme.

Discretion

The power given by the LGPS to enable a council or administering authority to choose how they will apply the scheme in respect of certain of its provisions. Under the LGPS they must consider certain of these discretionary provisions and pass resolutions to form a policy of how they will apply them. For the remaining discretionary provisions, they are advised to do so. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review.

Direct property

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

Eligible councillor

This is a councillor or an elected mayor (other than the Mayor of London) who is eligible for membership of the LGPS in accordance with the scheme of allowances published by an English county council, district council or London borough council or by a Welsh county council or county borough council.

Employer covenant

This is an employer's legal obligation and financial ability to support their defined benefit pension scheme now and in the future. Assessing the strength of the covenant helps decide the appropriate level of risk when setting investment strategy.

Equity Risk Premium

Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

Financial instruments

These are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

Fixed income securities

A fixed-income security is an investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity. Unlike a variable-income security, where payments change based on some underlying measure such as short-term interest rates, the payments of a fixed-income security are known in advance.

Fund of funds (FoF)

This is a fund that holds a portfolio of other investment funds.

Guaranteed minimum pension (GMP)

The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS)at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

General partners

These are owners of a partnership with unlimited liability. General partners are often managing partners who are active in the daily operations of a business.

Index-linked bonds

These are bonds in which payment of income on the principal is related to a specific price index – often the Consumer Price Index. This feature provides protection to investors by shielding them from changes in the underlying index. The bond's cash flows are adjusted to ensure that the holder of the bond receives a known real rate of return.

Internal rates of return (IRR)

This is the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero.

Local government

The term local government in this report also covers police and fire civilian staff, the Mayor of London and members of the London Assembly, the chairman of the London Transport Users' Committee, employees of a National Probation Service local board or Probation Trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an academy, an Education Action Forum or a Further or Higher Education Corporation.

Myners' principles

This is a set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom.

The Myners' principles for defined benefit schemes cover:

- effective decision-making
- clear objectives
- risk and liabilities
- performance assessment

- responsible ownership
- transparency and reporting.

Ordinary shares

An ordinary share represents equity ownership in a company and entitles the owner to vote at general meetings of that company and receive dividends on those shares if dividend is payable.

Pension board

Pension boards make sure each scheme complies with governance and administration requirements. Boards may have additional duties, if scheme or other regulations specify them. They must have an equal number of employer representatives and member representatives, plus other types of members, like independent experts. All pension board members have a duty to act in line with scheme regulations and other governing documents.

Pension liberation fraud

Members with deferred benefits may be approached by companies offering to release funds early from these benefits.

The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

Personal pension

A personal pension plan is usually purchased from a financial services company, such as an insurance company, bank, investment company or building society. Members usually pay into the plan every month and employers can also contribute to the plan.

Policy statement

This is a statement that councils and administering authorities must produce, setting out the policies they have resolved to follow in exercising certain discretions under the LGPS.

Pooled funds

These are aggregated funds from multiple individual investors. Investors in pooled fund investments benefit from economies of scale for lower trading costs, diversification and professional money management.

Private Equity

Private equity is equity capital that is not quoted on a public exchange. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet.

Quality management

This makes sure that an organisation, product or service is consistent. It has four main components: quality planning, quality control, quality assurance and quality improvement. West Yorkshire Pension Fund has been assessed and certified as meeting the requirements of ISO9001:2008.

Quantitative easing

Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

Related party transactions

This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

Retail Prices Index

This is another method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011 the government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index.

Rule of 85

Under previous regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. The agreement of the employer was required for employees who wished to retire before the age of 60. If the sum of the member's age and the number of whole years of their Scheme membership was 85 or more, benefits were paid in full; if the total was less than 85, the benefits were reduced. The employer had the power to waive the reduction on compassionate grounds and to pay the benefits in full. The Rule of 85 was not relevant where a member was made redundant, or was retired on grounds of efficiency or ill health.

The Rule of 85 was abolished on 1st October 2006. However, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

Scheduled body

Means a body which is either statutorily obliged to join the LGPS or, in the case of parish councils, has a statutory right to do so.

State Earnings Related Pension Scheme (SERPS)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically contracted out of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the State Second Pension (S2P) from 6 April 2002.

Spot rate

This is the price quoted for immediate settlement on a commodity, a security or a currency. It's based on the value of an asset at the moment of the quote, and this in turn is based on how much buyers are willing to pay and how much sellers are willing to accept, which depends on factors such as current market value and expected future market value.

Stakeholder pension

This is a low-cost private pension; they became available from 6 April 2001. They are meant for people who currently do not have a good range of pension options available to save for their retirement. Contributors use their own money to build up a pension fund.

State pension age

This is the earliest age people can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The government has announced that it will speed up the pace of state pension age equalisation for women, so that women's state pension age will reach 65 by November 2018.

State Second Pension (S2P)

The State Second Pension (formerly SERPS) is the additional state pension, payable from State pension age by the Department for Work and Pensions. LGPS members are contracted out of S2P and most pay lower national insurance contributions as a result.

Statutory compliance

This means following the laws on a given issue.

Stock lending

This is loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower, and title is returned at the end of the loan period.

Subsumption

This is when a new company takes over an old company so that the old company becomes one with the new.

Transfer value

A transfer value is a cash sum representing the value of a member's pension rights.

Transferred service

Any pension members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

Treasury management

This is the administration of an organisation's cash flow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully.

Unitised funds

A unitised fund is a fund structure that allows investors to pool assets while retaining individual net asset values for each participant and keeping track of historical fund records. Each investor in the fund is accounted for separately and has their own unit – their own class of shares of the portfolio's total assets.

Voting policy

This is how West Yorkshire Pension Fund applies its shareholder voting rights. West Yorkshire Pension Fund will vote as follows.

For – when the proposal meets best practice guidelines and is in shareholders' long-term interests.

Abstain – when the proposal raises issues which do not meet best practice guidelines but either the concern is not regarded as sufficiently material to warrant opposition or an oppose vote could have a detrimental impact on corporate structures or the issue is being raised formally with the company for the first time.

Oppose – when the proposal does not meet best practice guidelines and is not in shareholders' interests over the long term.

The voting policy will be applied to all reportable companies held by the fund.

In supporting any resolution of any type, West Yorkshire Pension Fund will only vote on a resolution if:

- the resolution deals with one substantive issue and is not bundled with other items
- the resolution is fully explained and justified by the proposers, and
- there is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.

West Yorkshire Pension Fund's voting policy is available in full at www.wypf.org.uk

Appendix D
Pension administration Strategy

Contents

Regulatory framework &purpose

1. The regulations

This Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013.

In line with these regulations West Yorkshire Pension Fund (WYPF) employers have been consulted on the strategy, and a copy has been sent to the Secretary of State.

1.1 Purpose

This strategy outlines the processes and procedures to allow WYPF and employers to work together in a cost effective way to administer the LGPS whilst maintaining an excellent level of service to members. It recognises that working co-operatively and collaboratively will be key to achieving these aims.

2. Review of thestrategy

This Strategy will be reviewed as soon as reasonably possible following any changes to the regulations, processes or procedures that affect the strategy or on a tri-annual basis if this occurs sooner.

Changes to this Strategy will be made following consultation with employers and a copy of the updated strategy will be sent to the secretary of state.

WYPF will constantly seek to improve communications between itself and the employers.

Employers are welcome to discuss any aspect of this strategy with WYPF at any time and may make suggestions for improvement to the strategy.

3. Liaison andcommunication

3.1 Authorised contacts foremployers

Each employer will nominate a contact to administer the three main areas of the LGPS:

- A Strategic contact for valuation, scheme consultation, discretionarystatements & IDRP
- An Administration contact for the day to day administration ofWYPF, completing of forms and responding toqueries
- A Finance contact for completion and submission of the monthly postingsand co-ordination of the exceptionreports

If they wish, employers may also nominate additional contacts.

All contacts will receive a login name and password that allows them to access the Civica Employer Portal for online administration and the combined remittance and monthly return.

When registering, each contact should complete a "main contact registration form and authorised user list" and signing WYPF's user agreement for the secure administration facility.

The three main contacts are responsible for ensuring that contacts are maintained by notifying WYPF when one leaves and registering new contacts where necessary.

3.2 Liaison and communication withemployers

WYPF will provide the following contact information for employers and their members:

- A named Pension Fund Representative for regulatory or administrationqueries, training, advice andguidance.

- A named Finance business partner to assist with the monthly returnsprocess
- A dedicated Contact centre for memberqueries

In addition to this WYPF takes a multi-channel approach to communication with its employers.

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face/telephone/e-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
Ad hoc training	As and when required	Face to face
Update sessions	2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters and Xtra	12 per year and as and when required	E-mail
Social media	Constant	Web
Ad hoc meetings	As and when required	Face to face
Workshops	10 per year	Face to face

4. Employer duties and responsibilities

When carrying out their functions employers must have regard to the current version of this strategy.

4.1 Events for notification

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly Postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions was deducted.	100% compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, WYPF will process the data within 2 weeks following monthly return submission.	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, WYPF will process the data within 2 weeks following monthly return submission. For exception report output from the monthly return, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	90% compliance or better

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			If the employer is not using monthly return, then information is due within 6 weeks of change event.	
50/50 & Main scheme elections	Monthly Return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission.	90% compliance or better
Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 month opt-outs	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return Web form Monthly returns (exception reports)		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission, else within 6 weeks of leaving. For exception reports leaver forms must be provided to WYPF within 2 months of receipt of the exception report.	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy.	90% compliance
Death in service notifications	Web form		Within 3 days of the date of notification.	100% compliance

4.2 Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.

WYPF is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer.

In the event of WYPF being fined by The Pensions Regulator, this fine will be passed on to the relevant employer where that employer's actions or inaction caused the fine.

4.3 Discretionary powers

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees.

4.4 Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

4.5 Internal Disputes Resolution Procedure (IDRP)

Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

5. Payments and charges

5.1 Payments by employing authorities

Employing authorities will make all payments required under the LGPS regulations, and any related legislations, promptly to WYPF and /or its Additional Voluntary Contribution (AVC) providers (Prudential/Scottish Widows) as appropriate.

5.2 Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission, the latest date contributions can be paid is the 19th day of the month following the month in which the deductions were made.

Where the 19th falls on a weekend or Bank Holiday, the due date becomes the last working day prior to the 19th.

5.3 AVC deductions

Employers will pay AVCs to the relevant provider within one week of them being deducted.

5.4 Late payment

The employer is reported to The Pensions Regulator where contributions are receive late in accordance with the Regulator's code of practice.

5.5 Payment method

Contributions (but not AVCs) should be paid to WYPF by BACS payment direct to WYPF's bank account.

5.6 Early retirement and augmentation costs

Employers have the option to pay the full early retirement cost or pay by instalments over 5 years, depending on their ability to pay. Interest is charged if option to pay by instalment is taken, the annual interest used Base Rate + 1%.

All Augmentation cost must be paid in full in one payment.

5.7 Interest on late payment

In accordance with the LGPS regulations interest will be charged on any amount overdue from an employing authority by more than one month.

5.8 Employer contributions

Employer's contributions rates are not fixed and employers are required to pay whateveris necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet itsliabilities.

5.9 Actuarial Valuation

An actuarial valuation of the Fund is undertaken every three years by the Fund's actuary. The actuary balances the Fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and deficit payment if appropriate for each employer for the subsequent three years.

5.10 Administration charges

The cost of running WYPF is charged directly to the Fund, the actuary takes these costs into account in assessing employers' contribution rates.

6. Administering authority duties and responsibilities

When carrying out their functions WYPF will have regard to the current version of the Strategy.

6.1 Scheme Administration

WYPF will ensure that workshops and Annual meetings are held on a regular basis and actively seek to promote the Local Government Pension Scheme via the following events:

- Employer annual meeting
- Member annual meeting
- Pre retirement courses
- New Starters Induction courses
- Complete Guide to Administration
- Your Responsibilities
- Monthly Contributions
- Ill Health Retirement

6.2 Responsibilities

WYPF will ensure the following functions are carried out:

6.2.1 Provide a helpdesk facility for enquiries, available during normal officehours, providing a single point of access for information relating to theLGPS

6.2.2 Create a member record for all new starters admitted to theLGPS

6.2.3 Collect and reconcile employer and employeecontributions

6.2.4 Maintain and update members records for any changes received by WYPF

6.2.5 At each actuarial valuation WYPF will forward the required data in respect of each member and provide statistical information over the valuation period to the Fund Actuary so that he can determine the assets and liabilities for eachemployer

6.2.6 Communicate the results of the actuarial valuation to the Fund to eachemployer

3.2.7 Provide every active, deferred and pension credit member with a benefit statement each year

6.2.8 Provide estimate of retirement benefits on request by theEmployer

6.2.9 Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutorylimits.

6.2.10 Comply with HMRClegislation

6.3 Decisions

WYPF will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

6.4 Discretionarypowers

WYPF will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

6.5 Internal Disputes Resolution Procedure (IDRP)

WYPF will deal with employer appeals at stage two of the IDRP.

WYPF will nominate an adjudicator to deal with appeals at stage one and stage two of the IDRP where the appeal is against a decision WYPF has made or is responsible for making.

6.6 Fund Performance Levels

The minimum performance targets are shown below:

Service	Days	Minimum Target
1. New member recordscreated	10	85%
2. Update personalrecords	10	85%
3. Posting monthly contributions to member records	10	90%
4. Calculate and action incoming transfer values	2 months	100%
5. Deferred benefits - Payment of Lump sums	3	85%
6. Provide details of Deferred Benefit Entitlement	10	85%
7. Refund of Contribution – Notification of Entitlement	5	85%
8. Refund of Contribution –Payment	5	85%
9. Action agreed transfers out on receipt of acceptance	10	85%
10. Provide estimate of retirementbenefits	10	85%
11. Retirement benefits – Payment of lump sum	3	85%
12. Retirement benefits – Recalculation of pension/lump sum	10	85%
13. Calculation and payment death benefits on receipt of all necessary information	5	85%
14. Make death grant payment to themember's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members by		31 May
17. Annual benefit statements issued toactive members by		31 August
18. Make payment of pensions on the duedate		100%
19. Issue P60s to pensioners within statutory deadlines		100%
20. Provide information on request in respectof Pension Share on Divorce within legislative timescales		100%
21. Implement Pension Share Orders within legislative timescales		100%

Service	Days	Minimum Target
22. Undertake annual reviews to establish continuing entitlements to pensions for children over the age of 17		100%
23. Implement changes in pensioner circumstances for the next available pensioner payroll		100%

7. Unsatisfactory performance

7.1 Measuring performance

Both employer and WYPF targets will be measured on a quarterly basis using the Civica document management system. Employers will be notified of their performance level each quarter.

WYPF performance levels will be published on a quarterly basis in the employer newsletter.

Overall employer and WYPF performance will be published by WYPF in the Annual Report.

7.2 Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this Strategy, which leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer. A schedule of charges is detailed in Appendix B.

Appendix A – Main contact registration and authorised user list

Main contact registration form

West Yorkshire Pension Fund | Lincolnshire Pension Fund

main contact registration oct 2016

Main contact registration form

Employer name and location code
Employer address

Important: please read the guidance note on **Managing your WYPF contacts** before you complete this form.

Strategic contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Administration contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Finance contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Contact at third-party payroll provider (if applicable and not listed above)

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

Date signatures valid from	**Signed (by current authorised signatory)**

Authorised user list

authorised payroll user list oct 2016

West Yorkshire Pension Fund

Employer name

Authorised payroll user list

Please give the full name, phone number and email address of the additional people you authorise to submit information for you. We will give them a secure administration account.

Full name	Phone number	Email address
Date authorised users valid from		
Signed (by current authorised signatory)		

Appendix B – Schedule of Charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any costof overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III), minimum half day charge of £110 + vat + cost of recovery actions (court and legal fees). Any part or all of this charge may be waived at head of service discretion.
2. Contributions to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Due by 19th month-late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%
3. Monthly return due anytime but latest by 19th month, errors on return i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + vat a day. This may be waived at head of service discretion.
4. Change in member detail	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
5. Early leavers information	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy - additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + vat a day. This may be waived at head of service discretion.
7. Death in membership	Due within 3 working days of the notification - additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III) at £220 + vat a day. This may be waived at head of service discretion.
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by Employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I) at £96 + vat a day. This may be waived at head of service discretion.

Performance areas	Reason for charge	Basis of charge
10. Authorised officers list not updated – Pension liaison officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify WYPF of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at head of service discretion.
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III) at £220 + vat a day. This charge may be waived at head of service discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + vat is made. This charge is for each member's record folder reference.
13. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the Court Order.	The charge is £250 + vat for this work.
Miscellaneous items: • Benefit recalculation • Member file search and record prints • Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + vat will be levied. This charge is for each members record folder reference.

Appendix C – Charging Levels

Charges will be made on half a day basis, less than quarter a day no charge will be made and more than half a day a full day charge will be made.

Charge Levels	I	II	III
Daily charge	£96	£136	£220
Half day charge	£48	£68	£110

- Level I – Work at Pension Officer Level
- Level II – Work at Senior Pension Officer Level
- Level III – Work at Pension Manager Level

Appendix E
Funding Strategy Statement

Funding Strategy Statement (FSS)

1. Introduction

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering administering authority authority is required to prepare an FSS. The key requirements for preparing the FSS can be summarised as follows.

After consultation with all such persons as it considers appropriate, including officers and elected members and other employer representatives, the Administering administering authority authority will prepare, maintain and publish their funding strategy. In preparing the FSS, the administering authority must have regard to:

- the statutory guidance issued by CIPFA for this purpose, and
- the Statement of Investment Principles (SIP) for the Scheme scheme published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)) or Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) ('The Investment Regulations').
The FSS must be revised and published in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended), whenever there is a material change in either the policy onr the matters set out in the FSS, SIP or ISS.

1.2 Benefits payable under the Local Government Pension Scheme (LGPS) are guaranteed by statute and thereby the pension promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

1.3 The LGPS is a defined benefit scheme under which thewhose benefitsare are specified in the governing legislation, currently the Local Government Pension Scheme Regulations 2013 (as amended) ('the Regulations').

1.4 Employer contributions are determined in accordance with the Regulations, which require that an actuarial valuation, including a rates and adjustments certificate, be completed every three years by the actuary, toinclude a rates and adjustments certificate. The primary rate of employers' contributions to the Fund should be set so as to 'secure its solvency'. The actuary must have regard to the desirability of maintaining as nearly constant a primary rate of employer contribution as possible in addition to the requirement to secure the solvency of the pension fund and the long-term cost-efficiency of the sScheme, so far as relating to the pension fund. The actuary must also have regard to the FSS in carrying out the valuation.

2. Purpose of Funding Strategy Statement (FSS)

2.1 Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will, therefore, determine the rate or pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, the implementation of the funding strategy is the responsibility of the administering authority, acting on professional advice provided by the actuary.

2.2 The purpose of this FSS is to set out the processes by which the Administering authority:

2.2.1 establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;

2.2.2 supports the regulatory requirement that it is desirable to maintain as far as possible stable primary employer contribution rates;

2.2.3 ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met;

2.2.4 takes a prudent longer-term view of funding the liabilities.

2.3 It should be stressed at the outset that, supplementary to the regulatory requirement to consider the desirability of maintaining a constant primary employer contribution rate as referred to in 2.2.2 above, a key priority for the Administering authority is to bring stability to employers' total contributions through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contributions and, therefore, the degree of risk inherent within the funding targets and associated periods for recovery of deficits or return of surpluses.

2.4 The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of all employers will be referred to in the FSS, its focus should at all times be on those actions which are in the best long-term interests of the Fund. Consequently, the FSS must remain a single strategy for the administering authority to implement and maintain.

3. Aims and Purpose of the Pension Fund

3.1 The aims of the Fund are to:

3.1.1 enable primary employer contribution rates to be kept as constant as possible and (subject to the Administering authority not taking undue risks) at reasonable cost to the taxpayers and, scheduled, designating, and admitted bodies,

3.1.2 enable overall employer contributions to be kept as constant as possible and (subject to the Administering authority not taking undue risks) at reasonable cost to the taxpayers and, scheduled, designating, and admitted bodies whilst achieving and maintaining the solvency of the Fund, which should be assessed in light of the risk profile of the Fund and the risk appetite of the administering authority and employers alike;

3.1.3 manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due. The Fund has a significant positive cash flow in terms of income received, including investment income, offset by monies payable,; and

3.1.4 maximise the returns from investments within reasonable risk parameters.

3.2 The purpose of the Fund is to:

3.2.1 receive monies in respect of contributions from employers and employees, transfer values and investment income;, and

3.2.2 pay out monies in respect of sScheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment regulations.

4. Responsibilities of Key Parties

4.1 The sound management of the Fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the Administering authority, Sscheme employers and the actuary.

4.2 The Administering authority should:

4.2.1 operate a pension fund;

4.2.2 collect employee and employer contributions, investment income and other amounts due to the pension fund;

4.2.3 invest all monies held in accordance with the SIP;

4.2.4 maintain adequate records for each Sscheme member;

4.2.5 exercise discretions within the regulatory framework, taking into account the cost of decisions;

4.2.6 take measures as set out in the regulations to safeguard the fund against the consequences of employer default;

4.2.7 ensure sufficient cash is available to meet liabilities as they fall due;

4.2.8 pay from the pension fund the relevant entitlements as stipulated in the Regulations;

4.2.9 provide membership records and financial information to the actuary promptly when required;

4.2.10 prepare and maintain a Funding Strategy Statement and a Statement of Investment Principles/Investment Strategy Statement in proper consultation with interested parties;

4.2.11 monitor all aspects of the Fund's performance and funding and amend the FSS/SIP/ISS accordingly;

4.2.12 manage the valuation process in consultation with the actuary;

4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer, and

4.2.14 enable the Local Pension Board to review the valuation process as set out in their terms of reference.

4.3 Each individual employer should:

4.3.1 deduct contributions from employees' pay correctly;

4.3.2 pay all ongoing contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date;

4.3.3 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework, taking into account the cost of decisions;

4.3.4 make additional contributions in accordance with agreed arrangements in respect of, for example, award of additional pension and early retirement strain;

4.3.5 provide adequate membership records to the Administering authority promptly as required;

4.3.6 notify the administering authority promptly of all changes or proposed changes to membership which affect future funding;

4.3.7 notify the administering authority promptly of possible or intended changes that could affect the basis of participation in the Ffuund which affect future funding; and

4.3.8 be aware that responsibility for compensatory added years, which the administering authority pays on behalf of the employer as a paying agent, lies with the employer which awards and is recharged for the cost of compensatory added years., and

4.3.9 pay any exit payments required in the event of their ceasing participation in the Fund.

4.4 The Fund actuary should:

4.4.1 prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost-efficiency after agreeing assumptions with the Administering authority and having regard to the FSS and the Regulations;

4.4.2 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill-health retirement costs, etc;

4.4.3 provide advice and valuations on the exiting of employers from the Fund.

4.4.4 provide advice to the administering authority on bonds or other forms of security to mitigate against the financial effect on the fund of employer default;

4.4.5 assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations,; and

4.4.6 ensure that the Administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

5. Solvency issues, target funding levels and long-term cost-efficiency

Risk-based approach

5.1 The Fund adopts a risk-based approach to funding strategy. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The administering authority has considered three key decisions in setting the discount rate:

5.1.1 the long-term solvency target (i.e. the funding objective – where the administering authority wants the Fund to get to);

5.1.2 the trajectory period (how quickly the Administering authority wants the Fund to get there), and

5.1.3 the probability of funding success (how likely the administering authority wants it to be now that the Fund will actually achieve the solvency target by the end of the trajectory period).

5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Aactuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

Solvency target

5.3 The administering authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions.

5.4 The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions. The Administering authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

5.5 For scheduled Bodies and Aadmission Bodies where a Sscheme Eemployer of sound covenant has agreed to subsume its assets and liabilities following cessation, appropriate actuarial methods and assumptions are taken to be:

5.5.1 the Pprojected uUnit method of valuation;, and

5.5.2 assumptions such that, if the Fund had reached the solvency target, its financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be an 80% chance that the Fund would be at least 100% funded after a period of 25 years.

This then defines the solvency target.

5.6 For admission bodies whose liabilities are expected to be orphaned following exit, a more prudent approach will be taken. The solvency target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Ssolvency Target will be set commensurate with assumed investment in an appropriate portfolio of Government index-linked and fixed-interest bonds after exit.

5.7 For admission bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering authority to be sufficiently financially secure, the Ssolvency target will take into account the fact that the employer's exit is not expected to take place for a considerable period of time.

Probability of funding success

5.8 The Administering authority considers funding success to have been achieved if the Fund, at the end of the trajectory period, has achieved the solvency target. The probability of funding success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Aactuary.

The discount rate, and hence the overall required level of employer contributions, has been set such that the Fund actuary estimates there is just under a 70% chance that the Fund would reach or exceed its Ssolvency Target after 25 years.

Funding target

5.9 The funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including future service contributions and any adjustment for surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the solvency target at the end of the trajectory period (defined below). The key assumptions used for assessing the funding target are summarised in Appendix 1.

5.10 Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible, contributions are set by use of the projected unit valuation method for most employers. The projected unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc) is stable.

5.11 For employers who no longer admit new members, the attained age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Pprojected uUnit method for closed employers.

Funding targets and assumptions regarding future investment strategy

5.12 For scheduled Bodies whose participation in the Fund is considered by the Administering authority to be indefinite and Aadmission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the scheduled and subsumption body funding target.

5.13 For other Scheduled Bodies the administering authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

5.13.1 the type/group of the employer

5.13.2 the business plans of the employer;

5.13.3 an assessment of the financial covenant of the employer;

5.13.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

5.14 For admission bodies whose liabilities are expected to be orphaned on exit, the administering authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities). This is known as the (ongoing) orphan admission bodies funding target. It is not the same as the exit basis.

5.15 For admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering authority to be sufficiently financially secure, the Administering authority may assume continued investment in a broad range of assets of higher risk than risk free assets for a longer period, albeit it will still consider any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities when the employer exits. This is known as the intermediate funding target.

5.16 The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the funding target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

Recovery periods

5.17 Where a valuation reveals that the Fund is in surplus or deficit relative to the funding target, the employer contributions will be adjusted to target 100% funding over the recovery period. The Fund has a target of achieving the Funding Target within a maximum period of 22 years. Whilst this is longer than the expected average future period of membership of active members, the Administering authority considers this is reasonable in the context of the LGPS as a statutory scheme. Further, this is based on the assumption that the Sscheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term.

5.18 If the assets of the scheme relating to an employer are less than the funding target at the date of any actuarial valuation, a recovery plan will be put in place, which is expected to require additional contributions from the employer to meet the shortfall. Each employer will be informed of its deficit to enable it to make the necessary allowance in their business and financial plans. The Recovery Period in relation to an employer or group of employers is the period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target for that employer or group of employers is payable.

5.19 Additional contributions to meet any shortfall will be expressed as a monetary amount, and will increase annually in line with the assumption for pay growth used for the valuation unless a different increase rate is agreed between the employer and Administering authority. The recovery period for which the additional contributions are payable will normally be subject to the following limits:

5.19.1 scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption guarantees from such bodies – 22 years

5.19.2 open admission bodies without a subsumption guarantee and no fixed or known term of participation – 22 years – although the administering authority reserves the right to adopt a shorter period if it has concerns about the employer's strength of covenant

5.19.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)

5.19.4 other admission bodies (i.e. those closed to new entrants) – average future working life of current active members (or period to contract end date if shorter)

5.20 In determining the Recovery Period to apply for any particular employer, the administering authority may take into account, without limitation, the following factors:

5.20.1 the type/group of the employer

5.20.2 the size of the funding shortfall;

5.20.3 the business plans of the employer;

5.20.4 the assessment of the financial covenant of the employer;

5.20.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

Employer contributions

5.21 As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy , between the various employers in the Scheme, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience where experience is shared across all employers. . In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted.

5.22 In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the 'primary contribution rate'). The method and assumptions for assessing these contributions are set out in Appendix 1.

5.23 The Administering authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:

5.23.1 a maximum deficit Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish where their notional share of the Fund is in deficit. A shorter period may be applied in respect of particular employers where the Administering authority considers this to be warranted (see below).

5.23.2 where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps as long as the regulatory objectives of solvency and long-term cost efficiency are met.

5.23.3 on the exit of an employing authority's participation in the Scheme, the Fund Actuary will be asked to complete an exit valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on exit are set out in the separate Employer Policy document at

Appendix 2.

5.24 With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer contribution rate. For deaths in service and tier 1 and tier 2 ill health retirements the experience will be spread across all employers.

5.25 Two key principles making up the funding strategy and to be adopted for the 2016 actuarial valuation are to:

5.25.1 provide stability in primary employer contribution rates and secondary employer contribution amounts as far as is possible, thereby avoiding wide fluctuations year on year. To achieve this stability and ensure gradual movements in employers' contribution levels, the practice of phasing any increases or decreases in employers' contribution requirements up to 6 years from 1 April 2017 will be adopted where appropriate and required;

5.25.2 retain a maximum 22 year recovery period for meeting a deficit as adopted at the 2010 and 2013 valuations.

5.26 With regard to the two principles outlined in paragraph 5.25 above, every Scheme Employer (i.e. those identified in paragraph 5.19.1) will have the option of being treated on this basis. They may, however, choose to have a single increase in contributions or phase any increase over a shorter period than 6 years. However, as an alternative, the main Councils and West Yorkshire Fire and Police (Chief Constable and Police and Crime Commissioner) have been offered the option of paying contributions based on market conditions as at 30 September 2016 on the proviso that their contribution requirements will be reviewed as at 30 September 2017 and 30 September 2018 and increased from the following 1 April if required.

5.27 It may not be possible to adopt the two principles outlined in paragraph 5.25 for some or all of the employers identified in paragraphs 5.19.2, 5.19.3 and 5.19.4, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these three groups with regard to an appropriate recovery period and whether the phasing of increases or decreases in contribution rates is feasible. Decisions on these issues will have regard to the administering authority's views on the strength of an employer's covenant, to its membership profile, and to its anticipated future period of participation in the Fund.

5.28 The strategic aim of the Fund is to operate within a funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable as long as the requirement for contributions to be set so as the ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the administering authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

5.29 In determining the above principles and adopting the 22 year deficit recovery period for the 2016 Valuation, the administering authority has had regard to:

5.29.1 the responses to the consultation on the FSS principles;

5.29.2 relevant guidance issued by the CIPFA Pensions Panel;

5.29.3 the need to balance a desire to attain a target of 100% funding as soon as possible, within the 90% to 110% funding range against the short-term cash requirements which a shorter period would impose;

5.29.4 the administering authority's views on the strength of the participating employers' covenants in achieving the objective.

Long-term cost efficiency

5.30 In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund, the administering authority has assessed the actual contributions payable by considering:

5.30.1 The implied average deficit recovery period, allowing for the stepping of employer contribution changes;

5.30.2 The investment return required to achieve full funding over the recovery period; and

5.30.3 How the investment return compares to the administering authority's view of the expected future return being targeted by the Fund's investment strategy.

Smoothing of contribution rates for admission bodies

5.31 The administering authority recognises that a balance needs to be struck as regards the financial demands made of admission bodies. On the one hand, the administering authority requires all admission bodies to be fully self funding, such that other employers in the Fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring achievement of full funding over a short time horizon may precipitate failure of the body in question, leading to costs for other participating employers.

5.32 Where the administering authority considers it necessary to relax the requirement that the contribution rate targets full funding temporarily, the administering authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.

5.33 The implication of this is that, during the period of relaxation, contribution rates for admission bodies can be set at a level lower than full funding would require. However, where deficit payments are being deferred, the bodies should be aware that, all things being equal, this will lead to a higher contribution requirement in future. As a minimum, such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the Funding Target method and assumptions adopted for scheduled bodies and those with a subsumption guarantee. It should be noted that should an employer exit the Fund during the period when contribution rates have been relaxed, the full value of the employer's liabilities in the Fund will be taken into account in the exit valuation, i.e. the employer will, in effect, be required to make up any additional underfunding by virtue of contributions having been relaxed.

Notional sub-funds

5.34 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers, as if each employer had its own notional sub fund within the Fund.

5.35 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

5.36 The notional sub fund allocated to each employer was tracked between the 2013 and 2016 valuations by rolling it forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit payments, transfers in and out and investment income allocated as set out below. In general no allowance was made for the timing of contributions and cashflows for each year were assumed to be made half way through the year with investment returns assumed to be uniformly earned over that year. Further adjustments were made for:

5.36.1 A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the 2013 valuation.

5.36.2 Allowance for any known material internal transfers within the Fund (cashflows will not exist for these transfers). The Fund Actuary assumed an estimated cashflow equal to the value of the liabilities transferred from one employer to the other unless some other approach has been agreed between the two employers.

5.36.3 Allowance for death in service and other benefits shared across all employers in the Fund (see above).

5.36.4 An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.

5.37 In some cases information available will not allow for such cashflow calculations. In such a circumstance:

5.37.1 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is not material, estimated cashflows were used.

5.37.2 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, or the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers, the actuary instead used an analysis of gains and losses to roll forward the notional sub fund. Analysis of gains and losses methods are less precise than use of cashflows. They involve calculation of gains and losses to the surplus or deficit at the previous valuation and then compare the surplus or deficit calculated at the valuation with the liabilities evaluated at this valuation to determine the employer's implied notional asset holding.

5.38 The distribution of the investment portfolio between asset classes, and the allocation of investment performance, will be exactly the same for every employer in the Fund. The Fund has one investment portfolio, and employers' shares of the portfolio will be pro-rata to their participating share of the Fund. The Fund's Investment Advisory Panel approves the distribution of the investment portfolio between the various asset classes, and no separate or different notional distribution will be applied to any employer.

5.39 With effect from 1 April 2016 a unitised approach will be used to track the notional employer sub-funds. The unitisation model will use the notional sub-funds as at 31 March 2016 (the date of the current actuarial valuation) as its starting point and hence won't be place until the 2016 valuation has been completed. Calculations with an effective date on or after 1 April 2016 requiring an updated calculation of the notional sub-fund for any employer will use the output of the unitisation model where available. However, any actuarial calculations with an effective date of after 1 April 2016 which are finalised before the unitisation model is operational will not be revised unless this has been specifically agreed by the Administering authority.

Former Participating Bodies

5.40 Where an employer ceases to participate in the Fund, the Administering authority will obtain an exit valuation from the actuary which will determine an exit contribution on the assumption that, unless a subsumption arrangement is in place, the assets will assumed to be invested in low risk investments and this will be sufficient to meet the liabilities. This approach minimises the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund. Further details of the Administering authority's policy for exit valuations are set out in Appendix 2.

5.41 Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the appropriate funding target at each valuation. This will be achieved by notionally re-allocating assets within the Fund as required.

6. Link to investment policy set out in the Statement of Investment Principles (SIP) / Investment Strategy Statement (ISS)

6.1 In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the Fund, as set out in the SIP.

6.2 It is possible to construct a portfolio that represents a lower risk investment position and one which closely matches the liabilities should there be no employers to fund the liabilities in future. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.

6.3 Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the value of the Fund's assets between successive actuarial valuations. However, if, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to set the discount rate by considering the returns on growth assets such as equities. On this basis the discount rate would be lower, the assessed value of the Fund's liabilities valuation would be significantly higher, and the declared funding level would be correspondingly reduced

6.4 Departure from a least risk investment strategy, in particular to include a significant element of Equity investment, gives the prospect that out-performance by the assets will, over time, reduce the employers' contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

6.5 The Fund's current benchmark investment strategy, as set out in its SIP, is that the biggest proportion of the Fund's investments will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term. The expected rate of return and the target set for investment returns in the SIP are reviewed annually as a matter of course, and the relationship with the requirements of the FSS are considered at the same time.

7. Identification of risks and counter-measures

7.1 Whilst the activity of managing the Fund exposes the Administering authority to a wide range of risks, those most likely to impact on the funding strategy are investment risk, liability risk, liquidity/maturity risk, regulatory/compliance risk, employer risk and governance risk.

Investment risk

7.2 This covers items such as the performance of financial markets and the Fund's Investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

7.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)

7.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility

7.2.3 insufficient funds to meet liabilities as they fall due

7.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon

7.2.5 counterparty failure

7.3 The specific risks associated with assets and asset classes are:

7.3.1 equities – industry, country, size and stock risks

7.3.2 fixed income - yield curve, credit risks, duration risks and market risks

7.3.3 alternative assets – liquidity risks, property risk, alpha risk

7.3.4 money market – credit risk and liquidity risk

7.3.5 currency risk

7.3.6 macroeconomic risks

7.4 The Fund mitigates these risks through diversification, permitting investment in a wide variety of markets and assets, and through the use of specialist managers with differing mandates in addition to the internal investment management team, which has a wide variety of experience within its members.

7.5 The performance of both markets and managers is reviewed regularly by the Investment Advisory Panel, which has the appropriate skills and training required to undertake this task.

Liability risk

7.6 The main risks include interest rates, pay and price inflation, changing retirement patterns and other demographic risks.

7.7 The Administering authority will ensure that the Fund Actuary investigates these matters at each valuation and reports on developments. The Administering authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.

7.8 The Fund Actuary will also provide quarterly funding updates to assist the Administering authority in its monitoring of the financial liability risks. The Administering authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position.

7.9 If significant liability changes become apparent between valuations, the Administering authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require the review the bonds that are in place for Admission Bodies.

Liquidity and Maturity risk

7.10 This is the risk of a reduction in cash flows into the Fund, or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,

7.10.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;

7.10.2 an increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),

7.10.3 public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),

7.10.4 scheme changes and higher member contributions in particular may lead to increased opt-outs;

7.10.5 a high take-up of the 50/50 option will reduce member contributions to the Fund.

7.11 The Administering authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity leading to cashflow or liquidity issues.

Regulatory and compliance risk

7.12 Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law. The Government is also carrying out a review of the structure of the LGPS.

7.13 The Administering authority will keep abreast of all the changes to the LGPS 2014. The Administering authority will normally respond to consultations on these matters where they have an impact on the Fund, and it would encourage employers, who frequently have a greater interest in proposed changes, to respond independently.

Employer risk

7.14 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.

7.15 The Administering authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS.

Governance risk

7.16 Governance risk is essentially one of communication between employer and the Fund, where, for example, an employer fails to inform the Fund of major changes, such as the letting of a contract involving the transfer of significant numbers of staff to another employer, or an admission body closing the scheme to new entrants.

7.17 The Fund seeks to maintain regular contact with employers to mitigate this risk, and has Pension Fund Representatives for this purpose. The Fund would also advise employers to pay past service deficit payments as lump sums, rather than as a percentage of payroll, to avoid an under payment accruing as a result of a reduction of the payroll.

7.18 To protect the Fund on the admission of a new employer, the existing scheme employer (which should liaise with the Fund) or the Fund if there is no existing scheme employer, will undertake a risk assessment and determine the requirement for a bond or indemnity, which should be reviewed annually.

7.19 The Fund will monitor employers with a declining membership, and may introduce a more conservative Funding strategy for such employers.

8. Monitoring and Review

8.1 The Administering authority has taken advice from the Fund Actuary in preparing this Statement, and will consult with senior officials of all the Fund's participating employers.

8.2 A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

8.3 The Administering authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

8.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.

8.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits.

8.3.3 if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy

8.3.4 if there have been any significant special contributions paid into the Scheme.

Appendix 1

Actuarial Valuation as at 31 March 2016

Method and assumptions used in calculating the funding target

The actuarial method to be used is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

Principal assumptions

Investment return (discount rate)

The discount rates adopted vary according to the solvency target as set out in section 5.

For the 2016 valuation the discount rate is 4.7% p.a. for the periods pre and post retirement (the scheduled and subsumption body funding target), with the exception of:

- Admission Bodies which will ultimately give rise to Orphan liabilities where the discount rate is 4.1% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%) and 2.5% (left service), which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.4% in light of the Actuary's view of the possible future increase in gilt yields. This is the ongoing orphan admission body funding target.
- Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering authority to be sufficiently financially secure to justify a higher discount rate than the orphan admission body basis, where the discount rate for the 2016 valuation is 4.1% p.a. in service and left service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%). This is the intermediate funding target.

Inflation (Retail Prices Index (RPI) and Consumer Prices Index (CPI) inflation)

The RPI inflation assumption is taken to be the Capital Market Assumption at the valuation date as produced by Aon Hewitt Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

The CPI inflation assumption at the valuation date is set as RPI inflation less 1.1%.p.a. The deduction has been set having regard to the estimated difference between RPI and CPI arising from the difference in the calculation approach between the two indices. This estimate (and hence the assumed difference between CPI and RPI) will vary from time to time.

Salary increases

The assumption for real salary increases (salary increases in excess of consumer price inflation) will be determined by an allowance of 1.25% p.a. over the consumer price inflation assumption as described above.

Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption as determined above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Mortality

Post-retirement Mortality

Base Rates

Normal Health: Standard SAPS S2P Normal Health tables, year of birth base rates, adjusted by a scaling factor.

Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor.

Scaling Factors

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health, current pensioner)	105%
Females (normal health, current pensioner)	90%
Males (normal health, current non-pensioner)	115%
Females (normal health, current non-pensioner)	90%
Males (ill-health)	120%
Females (ill-health)	135%

Future improvement to base rates

An allowance for improvements in line with CMI_2016Proposed2015, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a.

Pre-retirement mortality

Males: As for normal health retirements but with a 50% scaling factor

Females: As for normal health retirements but with a 25% scaling factor

Early retirements

Active members and Deferred members who left before 1 April 2016 who are protected in respect of their Rule of 85 Age following the benefit changes introduced in 2008 (i.e. those members who joined the Fund before 1 October 2006 and who would be aged over 60 on 31 March 2016) will be assumed to retire at the Rule of 85 Age or age 60 if higher with no reduction to accrued benefits.

Active members who joined the LGPS after 31 March 2014 are assumed to retire at their normal retirement age (which is aligned with state pension age).

All other active and deferred members are assumed to retire at age 65.

Withdrawals

Allowance is made for withdrawals from service. On withdrawal, members are assumed to leave a deferred pension in the Fund and are not assumed to exercise their option to take a transfer value.

Retirement due to ill health

Allowance is made for retirements due to ill health. Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1 (upper tier)	75%
Tier 2 (middle tier)	10%
Tier 3 (lower tier)	15%

Family details

A man is assumed to be 3 years older than his spouse, civil partner or cohabitee. A woman is assumed to be 3 years younger than her spouse, civil partner or cohabitee.

- 80% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death.

- 80% of pensioners are assumed to be married / cohabitating at age 65.

Commutation

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 75% of the permitted maximum amount permitted of their past service pension entitlements.

Take up of 50/50 scheme

All members are assumed to remain in the scheme they are in at the date of the valuation.

Promotional salary increases

Allowance is made for age-related promotional increases.

Expenses

0.3% of Pensionable Pay added to the cost of future benefit accrual.

Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (primary contribution rate) will be calculated using the same actuarial method and assumptions as used to calculate the funding target.

Funding method

For most employers, the actuarial method to be used is the Projected Unit method with a one year control period. For employers who do not permit new employees to join the Fund, the actuarial method to be used is the Attained Age method. Under both funding methods the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

Assumptions used in calculating contributions payable under the Recovery Plan

The contributions payable under the Recovery Plan are calculated using the same assumptions as those used to calculate the funding target

Summary of key whole Fund principal financial assumptions used for calculating funding target and cost of future accrual (the 'primary contribution rate') for the 2016 actuarial valuation

Discount rate (in service)	4.7% for Scheduled, Resolution and Bodies with subsumption guarantees 4.1% Orphan Admission Bodies and Intermediate funding target (see paragraph 5.15)
Discount rate (left service)	4.7% Scheduled, Resolution and Bodies with subsumption guarantees 4.1% Intermediate funding target (see paragraph 5.15) 2.5% Orphan Admission Bodies
Rate of general pay increases	3.25%
Rate of price inflation (RPI)	3.1%
Rate of price inflation (CPI)	2.0%
Rate of pension increases (on benefits in excess of GMPs)	2.0%
Rate of pension increases on post-88 GMPs	1.8%
Rate of deferred pension increases	2.0%
Rate of GMP increases in deferment	3.25%

Appendix 2

Policy on New Employers and Exit Valuations

1. Background

This Document explains the policies and procedures of the West Yorkshire Pension Fund ('the Fund') in the treatment of employers including on commencement or admission, considerations in respect of the participation of existing Admission Bodies, and the methodology for assessment of an exit payment on exit of employers in the Fund, administered by City of Bradford Metropolitan District Council ('the Administering authority'). This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

The Administering authority's aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the Fund.

The Administering authority has an obligation to pursue all liabilities owed so any shortfall from an individual employer does not fall back on other employers.

2. New Employers

Types of Admission Body

The following bodies are types of potential admission body -

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

(b) a body, to the funds of which a Scheme employer contributes;

(c) a body representative of:

- any Scheme employers, or
- local authorities or officers of local authorities;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of:

- the transfer of the service or assets by means of a contract or other arrangement,
- a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
- directions made under section 497A of the Education Act 1996;

(e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

An employer who wishes to join the Fund may apply to the Administering authority for admission. If admitted, that employer becomes an Admission Body and specified categories of its employees can participate as members of the Fund.

The Administering authority is responsible for deciding whether an application from an employer to become an Admission Body within the Fund should be declined or accepted. The employer must meet the requirements set out in Part 3 of Schedule

2 to the LGPS Regulations, and, where appropriate, the additional requirements set out by the Administering authority.

The Administering authority will generally only consider admission if the body in question is based wholly or mainly in West Yorkshire or has clear links to an existing Scheme employer of the Fund, the body has a sound financial standing and appropriate security is in place (see section on bonds, indemnities and guarantees below). The Administering authority's preference is for a Scheme employer to provide a subsumption commitment in respect of any new admission bodies wishing to join the Fund. Where such a commitment is not available, an orphan admission body funding target will be adopted, to protect the Fund as set out in paragraph 5.6 of the Funding Strategy Statement and explained further below. In the extreme, the Administering authority may exercise its discretion to refuse admission to the Scheme for any admission bodies with no subsumption commitment if this is considered appropriate to protect the interests of the Fund. However, for paragraph 1(d) admissions where the body undertakes to meet the requirements of the regulations the Administering authority must admit the eligible employees of that body to the Fund.

The Admission Body is required to have an "admission agreement" with the Fund, which sets out (in conjunction with the Regulations) the conditions of participation and which employees (or categories of employees) are eligible to be members of the Fund. The Administering authority has a template admission agreement which it will generally expect to be entered into without amendment. Details are available on request.

Bonds, Indemnities and Guarantees

The Administering authority will seek to minimise the risks that a new Admission Body might create for the Fund and the other employers in the Fund. These risks will be taken into account by the Administering authority in considering the application for admission, and the Administering authority may put in place conditions on any approval of admission to the Fund to minimise these risks, such as a satisfactory guarantee, indemnity or bond and a satisfactory risk assessment. An indemnity / bond is a way of insuring against the potential cost of the Admission Body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the Fund.

Admission bodies under paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations (generally admissions as a result of a Best Value transfer), are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the Scheme employer (i.e the employer letting the contract) and the Administering authority. Where the Administering authority is satisfied as to the strength of covenant of the Scheme employer, it will not usually require a minimum level of cover in order to be "satisfied" with the risk assessment, as the risk on premature termination will fall on the Scheme employer. However, as agreed with the 5 main Councils in the Fund and West Yorkshire Fire and Police (Chief Constable and Police and Crime Commissioner) (which are the Scheme employers for most of the new admissions under paragraph 1(d)), the Administering authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund's Actuary which can be shared with the Scheme employer on the understanding that the Fund Actuary cannot provide advice to the Scheme employer. Based on this assessment, the Scheme employer and the Administering authority should decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. The risk must be kept under review throughout the period of the admission and assessed at regular intervals and otherwise as required by the Administering authority.

Where, for any reason, it is not desirable for a 1(d)(i) admission body to enter into an indemnity or body the admission body must secure a guarantee from the Scheme employer. In the event of unfunded liabilities on the termination of the admission, the Scheme employer's contribution rate to the Fund would be revised accordingly. In most cases it is expected that the Scheme employer will provide a subsumption commitment whereby the assets and liabilities of the outgoing admission body post-exit are "subsumed" into the Scheme employer's liabilities and notional pool of Fund assets.

Where the liabilities cannot be fully met by a guarantor or insurer, the Regulations provide that:

- the letting employer will be liable in an outsourcing situation; and
- in all other cases the liabilities will fall on all the other employing authorities within the Fund.

Other admission bodies are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the Administering authority. The Administering authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund's Actuary. Based on this assessment, the Administering authority will decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. Where, for any reason, it is not desirable for an admission body to enter into an indemnity or body the admission body must secure a guarantee from:

(a) person who funds the admission body in whole or in part;

(b) a person who

(i)owns, or

(ii)controls the exercise of the functions of, the admission body; or

c) the Secretary of State in the case of an admission body

(i) which is established by or under any enactment, and

(ii) where that enactment enables the Secretary of State to make financial provision for that admission body.

or

(iii) which is a provider of probation services under section 3 of the Offender Management Act 2007 (power to make arrangements for the provision of probation services) or a person with whom such a provider has made arrangements under subsection (3)(c) of that section.

Ultimately, an indemnity or bond or guarantee is designed to protect the Fund in the event that unfunded liabilities are present after the termination of an admission body.

When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

In the event that unfunded liabilities arise that cannot be recovered from the admission body, the indemnity or bond provider or guarantor these will normally fall to be met by the Scheme employer in the case of paragraph 1(d) admission bodies or the Fund as a whole (i.e. all employers) in the case of other admission bodies. In this latter case the shortfall would normally fall on the employers pro-rata to their liabilities in the Fund. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund.

Funding Target

The funding target depends upon what will happen to the liabilities in respect of the employees of the employer on exit of that employer.

Subsumed liabilities

Where an admission body ceases its participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally, if the subsuming employer is considered to be of sufficiently sound covenant and likely to participate in the Fund indefinitely, e.g. being one of the 5 main Councils, this will mean assuming continued investment in more risky investments than Government bonds.

For tax raising scheduled bodies, whose participation in the Fund is considered by the Administering authority to be indefinite, the funding target is set out in section 5 of the FSS. New Academies are currently considered to be in this category, as they have a guarantee from the Department for Education. However, this guarantee is subject to review and where the Administering authority believes the guarantee is no longer sufficient to cover the risks posed by the number of Academies in the Fund, the Administering authority will review the approach taken to the Funding Target for new Academies and also the default approach taken to the notional assets transferred to Academies upon conversion.

For other scheduled bodies and any new scheduled bodies joining the Fund, the Administering authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;

any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

Orphan liabilities

Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The administering authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government bonds.

To the extent that the Administering authority decides not to match these liabilities with Government bonds of appropriate term, the returns achieved on the Fund's assets will be allowed for when calculating the employer's notional assets for the purpose of the tracking of any future surplus or deficit in relation to the orphan liabilities.

Ongoing calculations for employers subject to the orphan admission body funding target will be carried out using assumptions which are intended to target the eventual exit position.

Initial notional asset transfer

When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer.

When a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. For new admission bodies the Administering authority will only agree to a deficit transferring to the new admission where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the Fund, such as new Academies upon conversion to Academy status.

Unless specific instruction is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering authority's policy is that an unadjusted share of Fund approach is adopted by the Actuary in notionally re-allocating assets from the Local Education Authority to the academy on conversion in respect of the transferring liabilities. Put another way, there is no prior allocation of assets to fully fund any deferred and pensioner liabilities. The policy has been discussed and agreed with the 5 main Councils in the Fund which have education responsibilities.

Where the new employer will participate in a pool of employers, for example where a multi-academy trust has requested that its academies be treated as a single employer, the notional asset transfer would be to the relevant pool of employers.

Employer Contribution Rate

Initial Rate

When a new employer joins the Fund, the Fund's Actuary determines the initial employer contribution rate payable.

An interim contribution rate may be set pending a more accurate calculation by the Fund's Actuary of the employer contribution rate payable. Currently the interim contribution rate is 20% of pay. The Administering authority will change these interim contribution rates following each triennial Actuarial Valuation and at any other time at its discretion.

When a new academy joins a multi–academy trust where a single contribution rate applies, it will pay a minimum of the employer's contribution rate applicable to the Trust until the next triennial Actuarial Valuation at which time the contributions for the Trust will be reviewed. The Trust may elect to increase the contributions for all employers in the Trust before the next triennial Actuarial Valuation where the addition of a new academy is likely to lead to an increase as advised by the Fund's actuary. In other cases, the Fund's actuary will calculate an individual contribution rate for the new employer to be paid from commencement.

The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)
- Other relevant circumstances as determined by the Administering authority on the advice of the Fund Actuary

Review of Employer Contribution Rates

The Regulations require a triennial Actuarial Valuation of the Fund. As part of each Actuarial Valuation the contributions paid by each employer in the Fund are reviewed and may be increased or reduced.

The employer contributions payable by employers may also be reviewed outside of the triennial Actuarial Valuations where there has been a material change of circumstances, such as the basis of admission changing from open to closed or where it otherwise appears likely that the admission body may exit from the Fund, as permitted by Regulation 64(4).

The Administering authority monitors the active membership of closed admission bodies and will commission a valuation from the Actuary under Regulation 64(4) where it has reason to believe that the admission body may become an exiting employer before the next triennial Actuarial Valuation.

3. Cessation of participation

Where an employing authority ceases participation, whether by ceasing to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or having no active members contributing to the Fund, a cessation valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund. When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

The assumptions adopted to value the departing employer's liabilities for the exit valuation will depend upon the circumstances. In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target on exit will anticipate investment in low risk investments such as Government bonds. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a shortfall emerges in relation to these liabilities after the exit date. For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities, i.e. if the outgoing employer has a subsumption commitment from another employer in the Fund, the Administering authority's policy is that the ongoing funding target appropriate to the subsuming body will be used for the assessment on exit.

Where any of the liabilities are transferring to a successor body, e.g. on a contract being re-let, the funding target of that successor body will not influence the assumptions adopted for the exit valuation and any shortfall between the value of the liabilities assessed on the appropriate exit basis and the funding target for the successor body (e.g. if this is being set up fully funding on an orphan admission body funding target) will generally be assumed to be met by the letting authority unless otherwise agreed between the parties, to the satisfaction of the Administering authority.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position disclosed by the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.

However, where agreed between the parties the deficit may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any deficit. Where the guarantee only covers the exit deficit, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity , these will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor or successor body within the Fund.

Any deficit would normally be levied on the departing employer as a single capital payment although, under exceptional circumstances, the Administering authority may, at its sole discretion, allow phased payments as long as this is permitted under the Regulations (currently Regulation 64).

At successive triennial Actuarial Valuations the Actuary will allocate assets within the Fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the Fund.

Multi-academy trusts

Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities. The Administering authority may direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT at the next triennial Actuarial Valuation.

Where employers within a MAT are individual scheme employers for the purpose of the Regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall on exit, the Administering authority would seek to recover any unpaid deficit from the remaining employers within the MAT where those employers participate in the Fund. Rather than requiring a lump sum payment, the Administering authority may instead act on the assumption that the remaining MAT employers have provided a subsumption commitment, which includes subsumption of the unpaid deficit which would then fall to be recovered from ongoing contributions. In that case the Administering authority will instruct the Fund Actuary to allocate the assets and liabilities of the outgoing academy across the remaining employers in the MAT.

Suspension notices

Regulation 642A permits the suspension of an employer's liability to make an exit payment for up to 3 years where the Administering authority believes that the employer is likely to have one or more active members contributing to the Fund within the period specified in the suspension notice. The Administering authority considers that it is appropriate to exercise that discretion in relation to Town and Parish Councils where there is a reasonable expectation that a member will join in the near future (e.g. before the next triennial Actuarial Valuation). In that case, the Fund will advise the employer of the exit amount calculated by the Actuary and serve a written suspension notice on the employer. Whilst under such a suspension notice, the employer must continue to pay any deficit payments certified to the Fund as if it were an ongoing employer and the actuary will recalculate any deficit and contributions due at the next Actuarial Valuation .

4. Responsibilities of employers in the Fund

Individual employers will pay for any legal and actuarial costs incurred by the Fund on their behalf.

Employers should have regard to the Administering authority's administration strategy and their responsibilities as set out in the Funding Strategy Statement at all times.

All employers need to inform the Administering authority of any changes to their organisation that will impact on their participation in the Fund. This includes changes of name or constitution or mergers with other organisations or other decisions which will or may materially affect the employer's Fund membership, including but not limited to:

- an admission body closing to new entrants
- a scheduled body setting up a wholly owned company to employ new staff
- merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
- an application by a 6th form college to become a 16-19 academy, including whether successful or not
- a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
- a large scale redundancy exercise which could materially reduce the employer's active membership

Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/ Best Value direction. They should also advise the Administering authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

Appendix F
Governance Compliance Statement

Governance Compliance Statement

1. Introduction

1.1 The Governance Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).

1.2 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the Council's Financial Regulations, the Director – West Yorkshire Pension Fund has day to day responsibility for the management of the Fund. The Strategic Director – Corporate Services at Bradford Council, as the Council's Section 151 Officer, has responsibility for signing the Fund's year-end accounts.

2. Governance and Audit Committee

2.1 The Governance and Audit Committee shall comprise of five members. Either the Chair or Deputy Chair of the Committee shall not be a member of the Executive but at least one member shall also be a member of the West Yorkshire Pension Fund Joint Advisory group and/or Investment Advisory Panel.

Quorum

The quorum of the Committee shall be three members.

Roles and Functions of the Governance & Audit Committee affecting West Yorkshire Pension Fund

2.2 The functions of the Committee affecting West Yorkshire Pension Fund are to:

1. Approve the Statement of Accounts and related documents in accordance with the Accounts and Audit Regulations 2011;
2. Receive matters of a financial nature the External Audit request be considered by a member body, including any that may concern the Council's governance arrangements;
3. Consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti- corruption arrangements;
4. Seek assurance that action is being taken on risk related issues determined by auditors and inspectors;
5. Review the financial statements, External Auditor's opinion and reports to members and monitor management action in response to the issues raised by External Audit;
6. Discharge the function contained in Part H of Schedule 1 of the Local Authorities (function and responsibilities)(England) Regulations 200 (function relating to local government Pensions) and Part 1, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory panel and the Joint Advisory Group;
7. Review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary; and
8. Consider the reports of External Audit and inspection agencies.

The minutes of meetings of the Investment Advisory Panel, Joint Advisory Group and Pension Board are submitted to the Committee.

3. WYPF Investment Advisory Panel

3.1 The WYPF Investment Advisory Panel (hereinafter referred to as 'the Panel') comprises of nineteen representatives. WYPF covers the geographical area of five metropolitan authorities, namely the West Yorkshire District Councils of Bradford (administering authority), Calderdale, Kirklees, Leeds and Wakefield. Each of the five West Yorkshire District Councils has two councillor representatives on the Panel.

3.2 The other nine representatives on the Panel comprise of three Trade Union representatives (two from UNISON and one from GMB), two external investment advisers, two scheme members, the Director – WYPF and a Chief Finance Officer from the West Yorkshire District Councils on a two year rotational basis. A facility also exists for an additional councillor representative to be co-opted onto the Panel each year in the event that one of the three largest political groups in West Yorkshire is not represented on the Panel through the ten councillors nominated by the five District Councils. The co-opted councillor will be from Bradford Council as administering authority.

3.3 All representatives on the Panel have equal voting rights.

3.4 For each municipal year a Chair of the Panel is nominated by the two Bradford Council councillor representatives on the Panel, and a Deputy Chair is elected from other members on the Panel. A Bradford councillor on the Panel will also be a member of the Governance and Audit Committee.

3.5 The Panel will meet at normal quarterly intervals within 6 weeks of each quarter end. The Panel may hold a 'special' meeting at any time in the year to deal with any urgent or specific areas of business.

3.6 The Panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity.

3.7 In this capacity, the Panel will be responsible for formulating the broad future policy for investment. Not only will it be necessary to ensure that monies accruing to the Fund are invested to greatest advantage, it will also have responsibility for monitoring the progress of all existing investments. As with all trustees, members of the Panel should not allow their own personal interests, social, moral or political views to influence their decisions.

3.8 At the meetings of the Panel the overall investment portfolio will be reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money.

3.9 Prior to each meeting, the Director – West Yorkshire Pension Fund will arrange to supply all members of the Panel with information to enable these tasks to be undertaken. This will include a current distribution of the assets of the Fund, schedules of all investments purchased or sold since the previous Panel meeting, and views from the Fund's external investment advisers.

3.10 Decisions are taken on how the new money available for the investment is to be allocated to major asset classes on the portfolio. However, the Panel having once determined the level of overall investment, the specific selection of the individual securities will be left to the discretion of the in-house investment managers.

3.11 The external investment advisers on the Panel will be able to guide other members of the Panel in their investment adjudication.

3.12 In the event of conflict of opinion arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.

3.13 The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director-WYPF or his/her nominee, and one external investment adviser.

3.14 The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Panel if, in its opinion, the decision is not in the best interests of the WYPF.

4. WYPF Joint Advisory Group

4.1 The WYPF Joint Advisory Group (hereinafter referred to as 'the Group') comprises of twenty representatives. There are three councillor representatives from each of the five West Yorkshire District Councils, three Trade Union representatives, and two Scheme members. All representatives on the Group have equal voting rights.

4.2 There is no set pattern for meetings of the Group, and the Group will meet on such days as they may determine.

4.3 For each municipal year a Chair is nominated by the Bradford Council representatives and a Deputy Chair is elected from amongst the other members of the group.

4.4 The Group has overall responsibility for overseeing and monitoring WYPF's Pension Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the Group will approve the budget estimates for the Pension Administration and Investment Management functions of WYPF, and also received WYPF's Annual Report and Accounts.

4.5 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent Councils.

4.6 The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Group if, in its opinion, the decision is not in the best interests of WYPF.

5. WYPF Pension Board

5.1 WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.

5.2 The Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

5.3 The WYPF Pension Board comprises of 8 representatives. There are four member representatives from the Trade Unions (2 from Unison, and one each from Unite and GMB) and four employer representatives (one Councillor from Bradford Council who will act as Chair, 2 other councillors from the other district Councils and one employer representative nominated from all the other employers in the Fund).

5.4 The Board will meet twice a year on such dates as they determine.

5.5 The quorum of the Board shall be three (Chair plus one employer representative and one member representative).

6. Annual Meetings

6.1 Each Year WYPF holds an Employers' Annual Meeting and a separate Scheme Members' Annual Meeting.

6.2 At each Annual Meeting a keynote address is given by a 'guest speaker' on a related pension's topic. The Director- WYPF will provide an up-date on the activities of the Fund during the past year, and the Fund's two external investment adviser will provide economic and stock market data together with details of WYPF's own investment strategy and performance.

7. Training/Expenses/ Facility Time

7.1 A bespoke training seminar is held each year for members of the Investment Advisory Panel, Joint Advisory Group and Pension Board. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee's Trustees Training Fundamentals event, which is a 3 day training course for pension fund trustees.

7.2 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work and members can opt to attend any that they feel will be of benefit to them.

7.3 No member or representative on the Investment Advisory Panel, Joint Advisory Group or Pension Board shall be remunerated for undertaking this role. However expenses incurred in the attending meetings, training events will be re-imbursed. The cost is met by the Fund.

7.4 The Trade Unions and active member representatives on the Investment Advisory Panel, Joint Advisory Board and Pension Board should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel, Joint Advisory Group and Pension Board.

8. Register of Interests

All voting members of the Investment Advisory Panel, Joint Advisory Group and Pension Board must complete a Declaration of Acceptance of Office Form and annually compete a Conflicts of Interest form.

Appendix G
Communications Policy

Communications Policy 2015/16

This policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013

Introduction

Our communications policy has been prepared to meet our objectives about how we communicate with our key stakeholders. We currently administer the Local Government Pension Scheme (LGPS) for 381 employers and have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters Pension Schemes both old and new for a number of fire authorities. This policy is effective from April 2015 and will be reviewed annually, around January 2016.

Our stakeholders

For all of the schemes that we administer, our stakeholders include:

- Members
- Representatives ofmembers
- Prospectivemembers
- Employingauthorities

Key objectives

To communicate the scheme regulations and procedures in a clear and easy to understand style

- To use plain English for all our communications withstakeholders
- To identify and use the most appropriate communication method to take accountof stakeholders differentneeds
- To use technologies to provide up to date and timely information tostakeholders
- To engage with our stakeholders face-to-face whenpossible

Evaluation and continuous development

To ensure we are meeting the expectations of our stakeholders and to evaluate the effectiveness of our communications we will use the following methods:

- Feedbackquestionnaires
- Monitoring compliments andcomplaints
- Customersurveys
-
- To ensure continuous development we plan to:
- Implement member self service in April2015.
- develop and publish a series of webinars ande-learning
- improve the web provision forfirefighters
- increase the information we give to employing authorities when they join the schemeor change maincontacts.

Communications events 2015–2016 – Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members and prospective members)	Newsletter	2/3 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print/web
	Member fact sheets	On request/constant	Print/web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop ins	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/e-mail
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
LGPS deferred members (including representatives of deferred members)	Newsletter	1 per year	Mail
	Annual benefit statement	1 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web
LGPS pensioner members (including representatives of retired members)	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phonee-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web

Communications events 2015–2016 – firefighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)	Newsletter	At least 1 per year	Mail
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop-ins	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Scheme booklet	Constant	Web
Firefighter deferred members (including representatives of deferred members)	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
Firefighter – pensioner members (including representatives of pensioner members)	www.wypf.org.uk	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

Communications events 2015–2016 – councillors

Communication	Format	Frequency	Method of distribution
Councillor active members (including representatives of active members and prospective members)	Newsletter	2/3 per year	E-mail
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	E-mail
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Meeting/face-to-face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web

Communications events 2015–2016 – employing authorities

Communication	Format	Frequency	Method of distribution
Employing authorities	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and Xtra	12 per year and when required	E-mail
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face
	Workshops	10 per year	Face-to-face

Member contacts

WYPF contact centre
Phone (01274) 434999
Email wypf@bradford.gov.uk

Postal address
WYPF
PO Box 67
Bradford
BD1 1UP

Employer contacts

Stuart Duncombe (Team Manager – Business Relations) 01274 432763

Pension Fund Representatives

David Parrington	01274 433840
Sheryl Clapham	01274 432541
Lisa Darvill	01274 432540

WYPF Management

Rodney Barton – Director WYPF
Yunus Gajra – Business Development Manager
Grace Kitchen – Service Centre Group Manager
Ola Ajala – Financial Controller
Caroline Blackburn – Technical and Development Manager

Appendix H
Statement of Investment Principles

Statement of Investment Principles

1. Introduction

1.1 The Statement of Investment Principles has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

1.2 City of Bradford Metropolitan District Council became the administering authority of the West Yorkshire Pension Fund in 1986. The Fund covers the five District Councils of West Yorkshire together with numerous other employers.

2. Investment Decision Making Process

2.1 The Council has delegated all its functions as administering authority of the Pension Fund to the Governance and Audit Committee. The Director - West Yorkshire Pension Fund, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the Fund's investment functions.

2.2 The Panel determines the investment policy of the Fund and has ultimate responsibility for investment strategy. The Panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.

2.3 Once the investment strategy has been set at the quarterly meetings of the Panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

3. Types of Investments To Be Held

3.1 The West Yorkshire Pension Fund will hold investments in Fixed Interest Securities, Equities, Index Linked Securities, Managed and Unitised Funds (including Property Unit Trusts), Alternative Investments, and Cash Deposits, covering all the world markets.

3.2 A proportion of the Fund's investments will be held in Emerging Markets, both through direct investments and pooled vehicles.

3.3 The Fund will invest in Private Equity, Infrastructure, Hedge Funds and Listed Alternatives which, together with Property, will be classed as Alternative Investments.

3.4 The Fund will not invest directly in unquoted companies, as the Fund's private equity investment will be undertaken via a portfolio of funds.

3.5 Stock lending will be actively pursued up to the 35% limit as permitted under the Regulations. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

4. Balance Between Different types of Investment

4.1 The biggest proportion of the Fund's investment will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.

4.2 Fixed Interest Securities, Index Linked Securities, Alternative Investments and Cash Deposits will make up the balance of investment. The distribution of investments between the asset classes will vary based on perceived economic and market conditions.

4.3 The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2015/16 the Fund will invest within the following control ranges for each asset class. Depending on market conditions, the Fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

	Range %
Bonds – Total	14–20
UK Fixed Interest Gilts	2–8
UK Index Linked Gilts	2–8
Corporate Bonds	1–7
Global Bonds	1–5
Equities – Total	57.5–72.5
UK Equities	30–40
Overseas Equities	25–35
Property	3–7
Private Equity	3–7
Private Infrastructure	0–4
Hedge Funds	1–5
Listed Alternatives UK	0–2
Listed Alternatives OS	0–2
Cash	0–2

5. Risk

5.1 To minimise risk, the investment portfolio of the Fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.

5.2 Risk will also be controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an 'Investment Strategy Review' for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

5.3 Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

5.4 Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's Actuary

5.5 Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

6. Expected Return on Investments

6.1 The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by the State Street Global Services.

7. Realisation of Investments

7.1 The majority of investments to be held will be in fixed interest securities and equities that are quoted on recognised stock markets, and may be easily realised if required. The liquidity in other asset classes varies enormously.

8. Transaction Costs

8.1 The in-house team of investment managers utilise a list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and Overseas share transactions are at competitive rates negotiated by the in-house investment managers. There are no soft commissions or commission recapture programmes.

8.2 Transaction fees and custody fees are paid to HSBC for transactions on terms agreed with HSBC under the contract for banking and custody services.

9. Socially Responsible Investment

9.1 Investment decisions are taken based on financial and commercial considerations so as to yield the best return by way of income and capital appreciation. If it is shown that particular types of social, environmental and ethical investment can produce at least comparable returns, then the Fund will invest in such companies as part of the normal investment process.

9.2 The voting policy of the West Yorkshire Pension Fund is viewed as a fundamental contribution towards socially responsible investment. The Fund is committed to ensuring that the companies in which it has a shareholding adopt sound principles of corporate responsibility, particularly in relation to environmental and employment standards. The Fund will utilise its shareholding wherever possible, through the voting policy and engagement, to exert influence on those companies falling short of acceptable standards.

9.3 The WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 60 local authority pension funds with combined assets of £150 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.

9.4 The WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

9.5 The WYPF first became a signatory to the Carbon Disclosure Project (CDP) in 2007. The CDP seeks information from over 2,750 companies world-wide on their Greenhouse Gas Emissions.

10. Exercise of Rights Attached to Investments

10.1 The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, and Japanese companies in the TOPIX index, and companies in all other countries, in which the Fund has a shareholding. The voting policy to be adopted by the Fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry who provide policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the Fund's voting policy, and its voting activity is published on the Fund's website.

10.2 Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.

10.3 The Fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

11. Myners' Report

11.1 In 2000, the Government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners of Gartmore Fund Management Group. Paul Myners published the outcome of his review in a report in March 2001. In response to the proposals contained in the review, the Government issued a set of investment principles. Since then HM Treasury has undertaken a review of the principles following a consultation, which was based on a study commissioned by the Government and carried out by the National Association of Pension Fund. The outcome of the consultation has been to produce a smaller number of high-level principles, and they cover the six areas of effective decision making; clear objectives; risk and liabilities; performance assessment; responsible ownership; and transparency and reporting.

11.2 The extent to which WYPF has adopted these investment principles is described in the following paragraphs in accordance with the guidance issued by the Secretary of State for Communities and Local Government.

12. Effective Decision-Making

12.1 The Investment Panel encompasses a range of expertise, supported by external investment advisers and the in-house team of investment managers. In fact, the external investment advisers and senior investment managers attend all meetings of the Panel so as to provide the necessary expert advice to support the Panel members in coming to their decisions. Great emphasis is placed on training for Panel members, and a number of initiatives on this front have been, and continue to be, developed. Attempts are being made to ensure that Panel members have a minimum tenure of appointment of at least three years on the Panel so as to ensure continuity and a build up of experience. An annual business plan for the Panel is produced.

13. Clear Objectives

13.1 Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's Statement of Investment Principles and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

14. Risk and Liabilities

14.1 Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. The Investment Panel has commissioned independent asset and liability studies from time to time to provide comment on the current asset policy and associated risks. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

15. Performance Assessment

15.1 The Panel formally monitors the investment performance of the Fund annually at one of its meetings, and an assessment is made of the in-house managers' and external investment advisers' performance against the investment target return. Since 2005 the Fund has used a fund-specific benchmark to compare actual asset allocation and investment returns. Specific performance and volatility targets are given to the Hedge Funds managers in which WYPF invests. Arrangements have been put in place for several years now for the external investment advisers to assess the effectiveness of the Panel itself on an annual basis.

16. Responsible Ownership

16.1 The WYPF actively votes its shares in all UK companies, the top 300 European companies, the US S&P 500 companies, the Japanese TOPIX companies and in companies in all other countries, in which it has a shareholding. WYPF also jointly engages with companies through its membership of the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change, and the Carbon Disclosure Project.

17. Transparency and Reporting

17.1 The Statement of Investment Principles is regularly updated and is available on the Fund's website. Details of the Fund's voting policy and voting activity is also published on the website.

Appendix I
Risk Management Report

WYPF Departmental Risk Management Report

Introduction

WYPF's **Risk Management Plan** establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

WYPF has identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior managers and covers 13 categories of risk as shown below.

Identified risks

Scenario	Short name
Economic	
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports
Political	
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel and JAG members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
55	Impact of Central Government Budget cuts
Technological	
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data
Legislative/Regulatory	
19	Lots of legislative/regulatory change with no resource given to implement
35	Administration of the LGPS
58	Investment Pooling
Managerial/Professional	
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
49	Key staff on long term absence
Finance	
24	Finance aren't always involved in other sections' decision making processes
31(a) 31(b) 31(c)	External fraud – Life Certificates External fraud – Returned payments/payslips External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund

Scenario	Short name
Economic	
42	Admin costs
48	Prompt payment of pension
56	Monthly Contribution Returns
Physical	
Competitive	
27	Lack of PI's and overall performance management framework
Customer / Citizen	
43	Customer Satisfaction
Social	
4	Reduction in proportion of active members
Partnership / Contractual	
53	Shared Service with South Yorkshire Fire, Humberside Fire, West Yorkshire Fire, North Yorkshire Fire, Lincolnshire Fire, Royal Berkshire Fire and Buckinghamshire & Milton Keynes Fire Authorities.
57	Lincolnshire Pension Fund Shared Service

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high. Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
52	Relocation to new offices
54	Introduction of LGPS 2014
55	Impact of Central Government Budget cuts
56	Introduction of monthly contribution returns
57	Lincolnshire Pension Fund Shared Service

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
58	Investment Pooling

To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

As part of a regular review, 42 risks have been identified and framed into scenarios. The risks identified have been rated, 20 of these above their acceptable tolerance level, 22 below the tolerance line. The results are shown on the following risk profile.

	WYPF risk profile July 2014				Bradford MBC – Finance risk profile 5 September 2003			
A					18	24 (pensions), 26	7, 8	
B		9,19			21	2, 4, 9, 11, 15, 17, 32a	27, 30	
C		1, 24	2, 4, 6, 12, 13, 21, 22, 41, 45,		33	28a	12, 19, 20	
D		7, 8, 17, 31(c), 40, 42, 46, 50	10, 31(b), 43, 44, 48, 49, 56, 58	57	5, 25, 29	10, 14, 16, 22	1, 31	
E	27	15	3, 5, 16, 31(a), 36, 47, 51		23, 28b		13, 34	
F			35			24 (finance), 32b		
	IV	III	II	I	IV	III	II	I

LIKELIHOOD

IMPACT

Likelihood
A Very high
B High
C Significant
D Low
E Very low
F Almost impossible

Impact
I Catastrophic
II Critical
III Marginal
IV Negligible

Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAPs were then agreed for those risks above the tolerance line and are specified below.

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
2	C2	Valuation continues to register a deficit in the pension fund		Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions rise in longevity (Funding level remains the main comparator)	Contribution rate rises Budget cuts and/or council tax increases Bad publicity for employers Bad publicity for WYPF Bad publicity for LGPS Increased Central Government pressure for changes to LGPS Admitted bodies review provision of LGPS to employees Admitted bodies to WYPF seek reduced rates with other LGPSproviders Political impact Customer complaints about 'pension pay-offs'	Annually	Ongoing
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings. Introduction of Auto Enrolment will increase membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 200+ including 5 district councils.	Yunus Gajra	Fund stop showing net inflows of cash Investment strategy no longer consistent with maturity profile FSS and SIP become out of date Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing
6	C2	Council elections could bring about a change to Investment Panel and JAG members Equal levels of support given to all major political groups	Training plans for new members to be drawn up. Seek views from District Councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings	

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
10	D2	Civica Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: Civica user-group LGPSgroup Payroll user-group	Ensure regular attendance and report back from the User Groups/ Meetings as necessary. Assessment of Current State sub project is intended to ensure benefits are realised.	Yunus Gajra David Robertson	Improved systems , costs savings, better reporting, employer internet, member internet facilities available. Develop product that meets WYPF requirements	Quarterly	Ongoing
12	C2	Too much information is supplied by employers on paper medium	Enhancements to UPM2 are continuing.	Develop employers web site Encourage automatic transmission of starter, amendment and leaver data. The Fund operates an ‘Pensions Administration Strategy’ document which sets out the action required by Employing Authorities and WYPF.	Yunus Gajra	Increase in electronic medium of info sharing Improvements in KPIs 1, 4a, 4b, 6 and 8	Annual	Ongoing
13	C2	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required. Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing
21	C2	Greater level of support required/ expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Yunus Gajra	Reduce the number of non standard requests	Monthly	Ongoing
22	C2	Recruitment and retention of experienced staff in Pensions Administration, particularly in relation to single status not recognising market forces.	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff.	Monitor salaries in both public and private sector. Increase flexible working to retain staff	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
31 (b)	D2	External Fraud Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit.	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	No cases of fraud or earlier discovery Establish tighter controls in system for production of data for NFI exercise	Annual	
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits. Asset and liability study being done.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing	

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
43	D2	Customer satisfaction drops below acceptable levels Newsletters to current members issued three times a year, pensioners and deferred members once a year, councillor members once a year Monthly info. update to employers ABSs to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Website Published SIP Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance policy statement and Communications policy published.	Adequate	Revise SIP each year Produce a Pensions Administration Strategy, Governance reviewed, Compliance statement produced.	Yunus Gajra JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	March

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates
44	D2	Payroll failure Payroll contingency plan in place Disaster Recovery plan in place	Adequate	Review plans	David Robertson / Grace Kitchen	No effect on service provision	As required	Ongoing review
45	C2	Industrial Action Contingency plans in place	Adequate	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required	
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required	
49	D2	Key staff on long term absence	Document all procedures to ensure cover is available from other staff	Monitor absences and take action at key dates	Senior Managers	No effect on service provision	As required	As required
53	D1	Fire Authority Shared Service	Adequate	Regular meetings with the 7 Fire Authorities	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Quarterly	Ongoing
55	B2	Impact of Central Government Budget cuts	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing
56	D2	Introduction of monthly contribution returns	Briefings and requirements specified to Employers. Internal resources allocated to project.	Monitor returns from Employer and chase up missing ones	Ola Ajala	Receipt of monthly returns which get posted to members records	Monthly	Monthly
57	D1	Lincolnshire Pension Fund Shared Service	Adequate	Regular senior management review meetings internally and Collaboration Board meetings with LPF	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Monthly	Ongoing
58	D2	Investment Pooling joint steering group of Officers and Members from the three Funds established	Adequate	Regular review of progress against project plan	Rodney Barton	Pooling implemented 1 April 2018	Monthly	1April

The risks identified but below their acceptable tolerance level require no further action at this time.

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

Appendix 1

Risks register

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C3	Eco-nomic	Demographic changes	Demographic changes are happening but are not always built into financial and resource planning. (Customer base nation-wide – current members 98,400, deferred members 63,500, frozen refunds/undecided leavers 6,850, pensioners 79,778. Total 248,528 as at 15-07-11)	Demographics not built into future planning	Budget doesn't meet demand Criticised for not pro-viding a good service Bad publicity
2	C2	Eco-nomic	Valuation continues to register a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	Contribution rate rises Budget cuts and/or counciltax increases Bad publicity for employers Bad publicity for WYPF Bad publicity for LGPS Increased Central Gov-ernment pressure for changes to LGPS Admitted bodies review provision of LGPS to employees Admitted bodies to WYPF seek reduced rates with other LGP-Sproviders Political impact Customer complaints about 'pension pay-offs'

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	E2	Politi-cal/Eco-nomic	Governance (Strategic)	Understanding of is-sues at high officer and member level. Clear risk, return and contribution objectives Consistent FSS and SIP documents in place The purpose of the FSS is : to establish a clear and transparent fund-spe-cific strategy which will identify how employers' pension liabilities are best met and must be consis-tent with the published Statement of Investment Principles and the Fund's actuarial assumptions. It should support the aim of maintaining as nearly constant employer contri-bution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.	Un-coordinated operation caused by lack of under-standing	The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisors and do not challenge advice panel composition not representative of all bodies in the Fund Overall investment objectives do not rep-resent what members of panels consider necessary to meet the Fund's liabilities given their understand-ing of contributions likely to be received from employers and employees and do not take account of their attitude to risk Unstable contribution-rates Too much reliance put on benchmarking with other funds, without considering the spe-cific circumstances of WYPF
4	C2	Social/ Eco-nomic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	Fund stop showing net inflows ofcash Investment strategy no longer consistent with maturity profile FSS and SIP become out of date Less time to make up any deficits so more unstable contribution rates

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
5	E2	Political	Service has a good, well respected status among members – this could change	The service has a good professional status. It is well respected by members and therefore the budget isn't affected.	Service loses it's status/ reputation	Budgetcut Actively look at outsourcing/partnership Look atalternatives Project process unmanageable Lack of trust in information provided Closer scrutiny of pension fund activities
6	C2	Political	Council elections could bring about a change to Investment Panel and JAG members	Panel members and Chair are very effective and knowledgeable and give good support to the service. There is a good relationship.	Major changes to composition of panels	Loss of effective support Learning curve
7	D3	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. (Bradford-i): the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	Loss of control over budget spend Imposition of 'Bradford' systems inappropriate to WYPF Politicises JAG and Investment Panel Service delivery reduced Diversion from coreactivity
8	D3	Political	Central Government regionalisation agenda	Possible regionalisation of pension funds Could be asked to compete against other LG Funds or the private sector	Becomes Government policy Admin costs rise to unacceptable levels	Culture change Cost pressure Fail to become providerfor Yorkshire region Staff relocation Staff redundancies Bad publicity for Bradford Become provider for Yorkshire Increased resource requirement Good publicity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
9	B3	Political	Central Government Pensions policy	Independent Commission on Public Service Pensions set up to look at reforms to public sector pension schemes.	Increased complexity	Risk of non-compliance – bad publicity and fines Dilutes development of systems Increased admin costs Increased communications costs
10	C2	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	E-government cannot be supported Increased time and support needed for number-crunching Less added value support
12	C2	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis Deadlines not met Major incident occurs	People can't access vital information in a timely manner Sustainability issues Transcription errors Delays Invalid employer contribution rates set Invalid ABSs sent to members ABSs not sent to members Noncompliance Bad publicity Key objective not met Loss of service Permanent data loss Loss of income Inability to pay pensioners

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
13	C2	Techno-logical	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e- mail system and the main council systems and communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc. Link with 35	Minor incident occurs Major incident occurs	Can't back up the data Loss of service Permanent data loss Loss of income Inability to pay pensioners
15	E3	Techno-logical	Current software providers pull out of the market or are taken over	Current providers – Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	other systems available but enforced change time consuming pressure on staff
16	E2	Techno-logical	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	Loss of data Corrupt data Incorrect payments Breach of DP Act
17	D3	Techno-logical	Loss of IT staff	More attractive salaries in the private sector may attract experienced IT staff	Impact of Bradford-i	Learning curve Pressure on remainin staff Reduction in service delivery Delays in development work

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
19	B3	Legis-lative/ Regula-tory	Lots of legislative / regulatory change with no resource given to implement it	There is lots of legislative/regulatory change resulting in additional work with no resource given to implement them. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/ regulatory changes adequately	Benchmarking costs rise Increased pressure on staff Don't adopt legislation Servicecriticised Duties and responsibilities not fully adopted Ombudsman cases Incorrect payment of benefits Growing complexity of administration Risk of non compliance Key objective not met studies notcompleted general pensions knowledge declines give ill advice pressure on staff staff don't have up to date, consistent knowledge and understanding
21	C2	Mana-gerial/ Profes-sional	Greater level of support expected by district councils than other employers	Bradford Council and to a lesser extent the other four councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	Staff frustrated Reduced level of service to other employers
22	C2	Mana-gerial/ Profes-sional	Recruitment and retention of experienced staff in Pensions Administration	Problems with recruitment and retention – the need to train people up, the need for continual process re- engineering. Managers of similar age Difficulties in attracting staff to Bradford – the city needs to raise its profile	Recruitment and retention of staff does not improve	Pressures on existing staff Activities are ineffectively carried out Difficulties in succession planning Pressure to offer more lucrative packages Reliance on agency/ temporary staff Escalating staff costs Gaps appear instructures Adverse impact on service delivery Loss of experienced staff Stagnation Carryingvacancies

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
24	C3	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	Act 'ultravires' Promises made that can't be met
27	E4	Com-petitive	Lack of PIs and overall performance management framework	Local Best Value PIs in Pensions. There are LGPC PI's but they are not adequate to monitor overall performance and a new system needs to be introduced with monitoring as part of service planning. There are competing priorities and every authority is struggling to definePIs. Link with 8	Don't develop PI's within an overall performance framework	Can't manage perfor-mance effectively Fail to meet explicit objective
31 (a) (b) (c)	D2 E2 D3	Finance	External Fraud	To introduce further mea-sures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un-notified deaths	Further measures not introduced	overpaid pensions courtcases time commitment key objective not met
35	F2	Legisla-tive /Regu-latory	Administra-tion of the LGPS	Administer WYPF so as to provide occupational pensions for employees of the participating employ-ers in accordance with statutory requirements Link with 13	Unable to provide service	key objective not met
36	E2	Finance	Maximise Council sur-plus balances	Maximise the returns from external investment of any surplus cash balances of the Council		loss of income key objective not met

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
40	D3	Finance	Governance (Operational)	Expectation clearly set out for all advisors – Fund Managers, Advisors, Custodian, and Actuary	Accounts now have coordinated statements for panel, advisors, performance expectations of dept and the long term funding strategy statement , strategic asset allocationetc. Targets / statements all clear, consistent and in place. WM to measure performance quarterly. In house targets for Q analyses for individual fund managers (ongoing)	Panels, fund managers, advisors operate in an un- coordinated way or set their own parameters for performance Individual performance not gauged and remedied where necessary Sub-optimal performance of investments Poor long term investment performance Missing assets Disputes over title Late reports Changes to assumptions mid stream Targets not set Timescales not set
41	C2	Finance	Pressure on General Fund	Funding level is a fundamental guide to the solvency of the Fund Maturity of the scheme influences the investment strategy adopted Employer contributionrate	Funding level falls to unacceptable level	Low funding level willraise ER's contribution rate ER's contribution rate unsustainable pressure on LGPS from Central Govt. Employers cease admitting new members Employers stop joining the Fund Then becomes risk4
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	Review in-house provision Budgetcuts Servicecuts Partnership arrangements Badpublicity
43	D2	Customer/ Citizen	Customer Satisfaction	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	Fines Badpublicity Shrinking user base
44	D2	Technological	Payroll failure	Contingency plans in place	BACS failure UPM system failure Hardware failure	Worst case scenario, around 70,000 53,287 pensions not paid on time

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
45	C2	Political	Industrial Action	Possible industrial action over reforms to LGPS	Ballot in favour of action and no Government intervention	Pensions not paid Backlog of work on return Delayed SAP implementation Additional admin work to input strike breaks
46	D3	Economic	Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities metby the Fund itself (i.e. all employers)	Increase in employer contribution rate acrossthe Fund Increase in liabilities across the Fund Possible bad publicity
47	E2	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	Data falls in the wrong hands and used for criminal purposes Bad publicity Loss of trust and confidence inWYPF
48	D2	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	Pensioners not getting paid ontime Cause financial hardship Damage to WYPF reputation Increase in number of complaints. Callers/ Visitors
49	D2	Managerial/ Professional	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	Impact on service provision (Staff, Employers, Scheme Membersetc) Crucial tasks are not performed
50	D3	Managerial/ Professional	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	Information could be passed on Records updated inappropriately Contravene DP Act
51	E2	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	Funds might go bust resulting in losses for the Fund

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
53	E3	Partner-ship/ Con-tract ual	Fire Pension Scheme Ad-ministration	WYPF administers the Fireman's Pensions Scheme on behalf of 7 Fire Authorities	Lose contracts	Will not be able to provide a pensions administration service to theFAs Will not be able to pay pensions or process work ICT systems notavail-able Damage to WYPF Rep-utation Bad publicity Loss of income
55	B2	Political	Impact of Government Budget cuts	Cuts in Local Authority budgets will lead to a reduction in workforce.	Increase in member con-tribution rate	Increase in opt outs from the scheme Reduction in public sector workforce leading to reduction in pension scheme membership Possible strike action
56	D2	Finan-cial	Monthly Contribution Returns	This has replaced annual returns and will lead to greater efficiencies.	The LGPS 2014 and the move to a career average scheme	Salary details will not be posted to member records Benefits will not be able to be calculated accurately IT systems will not be action the returns from Employers Timescales not met
57	D1	Partner-ship/ Con-tract ual	Lincolnshire Pension Fund Shared Ser-vice	To provide a pensions administration Shared Service from 1 April 15	Collaborative working with other Pension Funds	Will not be able to provide a pensions administration service to LPF Will not be able to pay pensions or process work ICT systems not avail-able Damage to WYPF Rep-utation Badpublicity Loss ofincome
58	D2	Legisla-tive /Regu-latory	Investment Pooling	Pooling of investments with GMPF and Mersey-side Pension Fund.	Structure to be set up by 1 April 2018	Does not meet govern-ment target Bad publicity Key objectives not met

Appendix J
WYPF Pension Board – Knowledge and Understanding Framework

1. Legislative requirements

1.1 In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
- any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.

1.2 Board members should also have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed.

1.3 Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.

1.4 Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.

1.5 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.

2. Degree of knowledge and understanding

2.1 Being conversant with the rules of the LGPS and any documents recording policy about the administration of the Fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.

2.2 Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.

2.3 The rules of the LPGS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the Transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.

2.4 To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis.

3. Induction training

As part of the induction training, board members are required to undertake the Pensions Regulator's online toolkit training. This training will enable board members to learn about managing public service pension schemes.

The Pensions Regulator's website is **www.thepensionsregulator.gov.uk/public-service-schemes.aspx**

A document which will help identify training needs and be used to record and reflect on the training once completed can be found at **www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning needs.doc**

The Pensions Regulator's website includes further details on 'Understanding your Role' and 'Scheme Management'.

4. Training

4.1 Board members are expected to attend regular training events.

4.2 Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers
- training as part of meetings provided by officers and/or external advisers

- external training events
- circulation of reading material
- attendance at seminars and conferences offered by industry-wide bodies, and
- links to online training.
- Training Needs Analysis can be used to help assist board members to identify areas where training is required.

Appendix A

Documented policies you must have a working knowledge of the following.

Member and employer information	Location
Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedure, including AVC guides).	www.wypf.org.uk
Relevant policies	
Conflicts of Interest Policy	www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx
Internal Dispute Resolution Procedure	www.wypf.org.uk/Member/Publications/Booklets
Reporting of Breaches Procedure	www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx
WYPF policy statements	www.wypf.org.uk/Member/Publications/policyStatements
Statement of Investment Principles	
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	Supplied on request
Others	
Actuarial Valuation Report and Rates and Adjustment Certificate	www.wypf.org.uk/Member/publications/Valuation
WYPF Risk Register	Supplied on request
Annual Report and Accounts	www.wypf.org.uk/Member/Publications/ReportAndAccounts
Investment management and activity	www.wypf.org.uk/Member/Investments

Appendix K
WYPF Pension Board – Terms of Reference

1. Introduction

1.1 City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The Council has established two bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the Council is required to establish a Pension Board. The Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.3 This document sets out the terms of reference for WYPF Pension Board.

2. Objectives

2.1 The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including:

2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS;

2.1.2 securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and

2.1.3 any other such matters as the LGPS regulations may specify.

3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

4. Membership and Appointment for Pension Board members

4.1 Membership of the Pension Board shall be eight (8) in number. The Pension Board will consist of an equal numbers of member and employer representatives.

4.2 Pension Board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

5. Employer representatives

5.1 Employers who participate in the Fund will nominate four (4) representatives to sit on the Pension Board as Employer Representatives from the following sources:

5.1.1 Three (3) representatives will be from West Yorkshire councils, one (1) of these three (3) will be appointed in accordance with 7.1 below.

5.1.2 One (1) representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

6. Member representatives

6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

6.2 6.2 Relevant Trade Unions, who have agreed to represent all categories of the membership, will nominate four (4) representatives to sit on the Pension Board as member representatives.

7. The Chair

7.1 The Council as Scheme Manager will appoint one Councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the Chair on the Pension Board

7.2 The Chair of the Board shall:

7.2.1 ensure that the Board delivers its purpose as set out in these Terms of Reference;

7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered; and

7.2.3 seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

8. Attendance at meetings

8.1 Each Pension Board member should endeavour to attend all Pension Board meetings during the year. In the event of consistent non-attendance by any Pension Board member then the tenure of the membership should be reviewed at the next Pension Board meeting.

9. Term of Office/Appointment

9.1 Subject to paragraph 5.2, Pension Board representatives will normally serve for a period of four (4) years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).

9.2 Upon initial establishment of the Board in 2015 50% of members (comprising of two (2) member representatives and two (2) employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.

9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

9.4 Pension Board members may be reappointed without limitation on terms subject to the Pension Board being satisfied as to the transparency and proper application of the appointment process in use.

10. Termination

10.1 Other than by ceasing to be eligible a Pension Board member may normally only be removed from office during a term of appointment by the agreement of the Board.

10.2 Board membership may be terminated prior to the end of the term of office due to:

10.2.1 A member representative no longer being a representative of the body on which their appointment relied

10.2.2 An employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

10.2.3 A board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.

10.2.4 The representative being withdrawn by the nominating body and a replacement identified.

10.2.5 A board member has a conflict of interest which cannot be managed in accordance with the Board's conflict policy.

10.2.6 A Board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.

10.2.7 A Board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the Administering Authority under the LGPS regulations.

11. Number of Meetings

11.1 The Pension Board will normally meet twice a year. The Chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.

11.2 In exceptional circumstances, meetings can be conducted via communications between members of the Board including telephone conferencing and emails.

12. Creation of Working Groups/Sub Boards

12.1 The Pension Board may establish sub-committees and working groups as and when required. The Pension Board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The Pension Board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

13. Code of Conduct and Conflicts of Interest policy

13.1 The principles included in the Council's Code of Conduct for Members applies to all member of the Pension Board. The Code of Conduct is set out in Part 4 of the Council's Constitution: **http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/about_bradford_council/council_constitution**

13.2 No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.

13.3 All voting members of the Pensions Board must complete a Declaration of Acceptance of Office Form, and Disclosure of Financial and other interest form.

13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

14. Voting Rights

14.1 All representatives on the Pension Board have equal voting rights. Decisions made by the Pensions Board shall be on a majority basis. In the event of there not being a majority the Chair shall have the casting vote.

15. Other Attendees

15.1 The Pensions Board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

16. Secretariat Services to the Board

16.1 Pension Board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC "Constitution of the Council and Executive Arrangements". All reasonable costs will be met by the Fund.

17. Agenda

17.1 Prior to each meeting the Director of West Yorkshire Pension Fund will arrange to supply all members of the Board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the Chair.

18. Quorum

18.1 The quorum of the Pension Board shall be three. (Chair plus one employer representative and one member representative).

19. Publication

19.1 In accordance with the Act the Council shall publish information about the Board to include:

19.1.1 The names of Board members and their contact details

19.1.2 The representation of employers and member on the Board

19.1.3 The role of the Board

19.1.4 These Terms of Reference

20. Allowances/Expenses

20.1 No member or representative of the Pension Board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the Board and attending training events, shall be reimbursed to all members and the cost will be met by the Fund.

21. Knowledge and Understanding and Capacity of Representative Members

21.1 Every individual who is a member of the Pension Board must be conversant with:

21.1.1 the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations); and

21.1.2 the requirements of the Pensions Regulator; and

21.1.3 any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and have knowledge and understanding of:

- the law relating to pensions; and
- such other matters as may be prescribed.

21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.

21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

22. Accountability

22.1 The Board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the Board may attend a Committee meeting as an observer.

22.2 The Board should report any concerns over a decision made by the Committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.

22.3 On receipt of a report the Committee shall within a reasonable period, consider and respond to the Board.

22.4 Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund's annual report.

22.5 Where the Board is satisfied that there has been a breach of regulation which has been reported to the Committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

22.6 The appropriate internal route for escalation is to the Administering Authority Monitoring Officer.

23. Budget

23.1 The Pension Board is to be provided with adequate resources to fulfil its role. The Council will allocate an annual budget to cover the expenses of the board.

24. Core Functions

24.1 The first core function of the Board is to assist the Council in securing compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme.

24.2 The second core function of the Board is to assist the Council to ensure the effective and efficient governance and administration of the Scheme.

24.3 In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Council's function. Any such request should be reasonably complied with in both scope and timing.

24.4 In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the Board on the outcome within a reasonable period of time.

25. Data Protection

25.1 The Pensions Board is considered a committee of and part of the Council's legal entity. The Council is and remains the data controller responsible for DPA compliance, including for processing carried out by the Pension Board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.

25.2 The Pension Board will therefore adhere to the data protection policies of the Council.

26. Review of Terms of Reference

26.1 These Terms of reference shall be reviewed on each material change to those parts of the Regulations covering local pension boards and at least every two (2) years.

26.2 These terms of reference were adopted on:

20 March 2015 – on behalf of the Council (Governance and Audit Committee)

West Yorkshire Pension Fund

Funding Update Report as at 31 March 2017

Prepared for	City of Bradford Metropolitan District Council, Administering Authority of the West Yorkshire Pension Fund
Prepared by	Alison Murray FFA
Date	23 May 2017

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Funding update as 31 March 2017

Overall View

At 31 Mar 2017

Your funding level has improved since the valuation date, and the Total Employer Contribution Rate has fallen.

This is due to the asset return experienced over the period being better than expected. This has been partially offset by a decrease in the real discount rate, which has put a higher value on the liabilities.

At 31 Mar 2017

Funding Level

107%

At 31 Mar 2017

Surplus

£838.3M

Compared to

at valuation date

Funding Level

94%

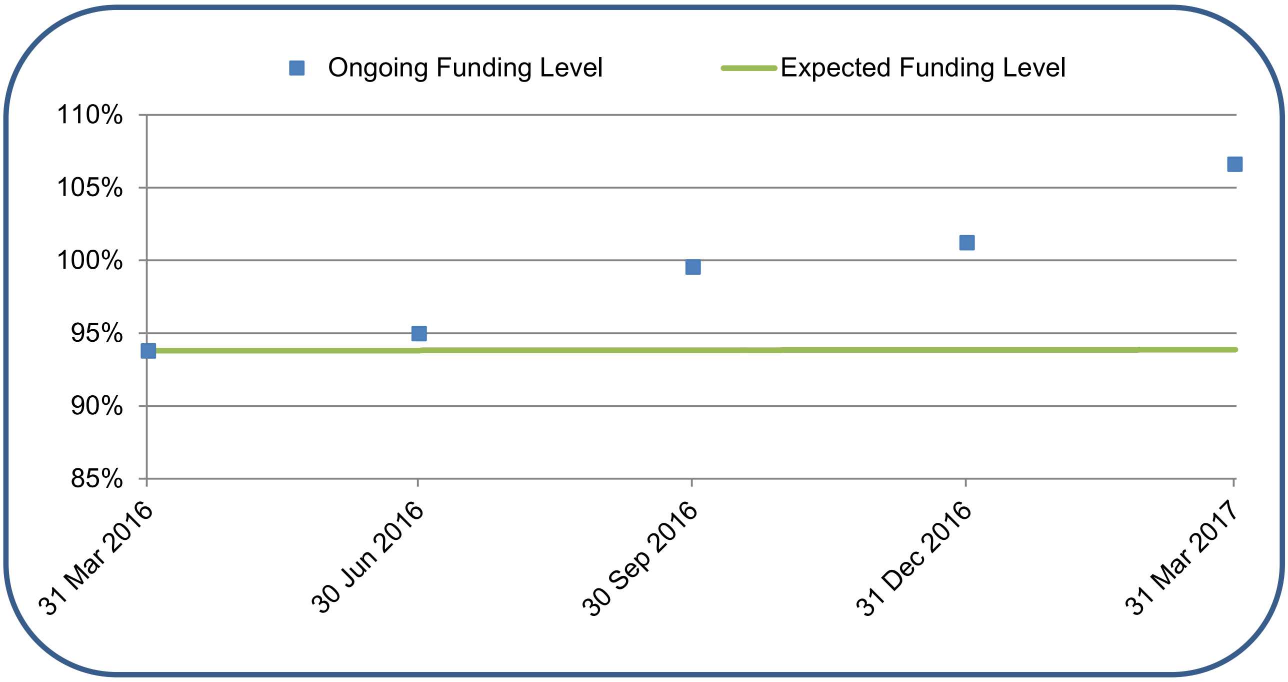
Compared to

at valuation date

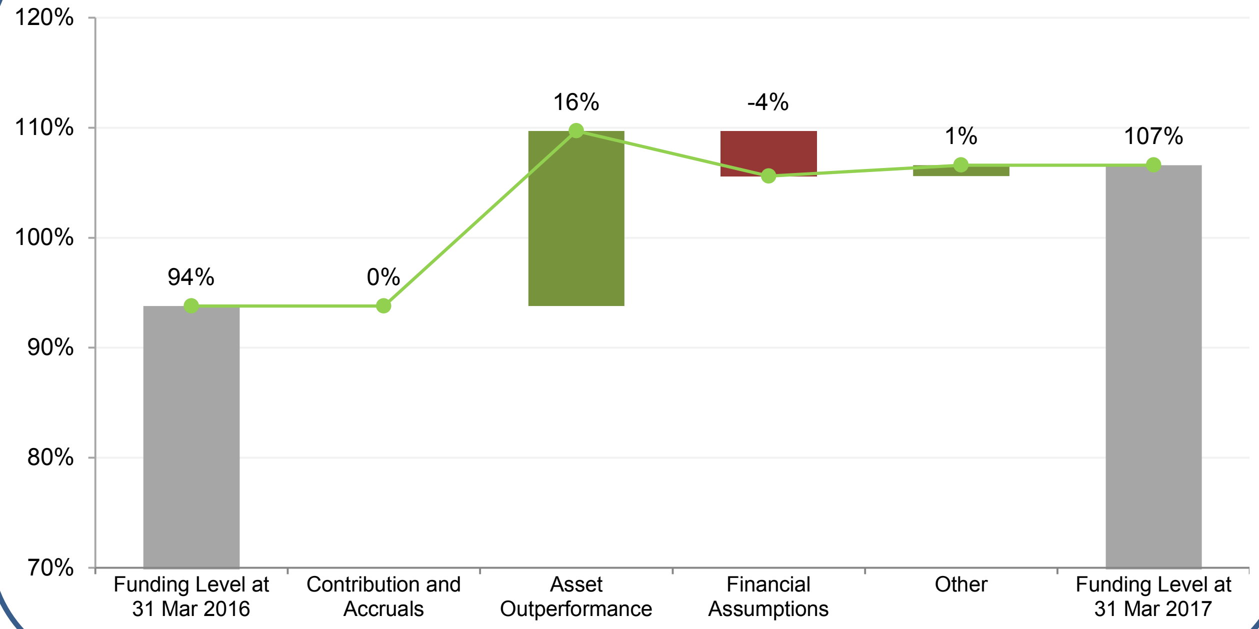
Deficit

£743.3M

Funding Level



Analysis



Employer contributions

Future Service Rate

At 31 Mar 2017

17.3%

Compared to

at valuation date

16.2%

Total Employer Contribution Rate

At 31 Mar 2017

14.8%

Compared to

at valuation date

18.6%

Background information

Assumptions and Data

	31 March 2017	31 March 2016
Discount rate	4.50%	4.70%
Pay growth	3.25%	3.25%
Revaluation of pension accounts	2.00%	2.00%
Pension increases	2.00%	2.00%
Salary roll (£M)	1,742.5	1,704.0
Recovery period	22	22

Method

The approximate funding update is for information only, and is consistent with the calculations for the actuarial valuation as at 31 March 2016, provided to the Administering Authority in the actuarial valuation report dated 31 March 2017. The assumptions used have been modified only insofar as is necessary to maintain consistency with the valuation, reflecting the change in the effective date and in relevant market conditions. The liabilities have been rolled forward taking account of changes in the key assumptions used for Scheduled Bodies in the 2016 valuation only. As the liabilities in respect of Scheduled Bodies represent a large proportion of the total Fund liabilities, this is a reasonable approximation.
The estimated total contribution rate is shown as an overall percentage of pay for ease of comparison. This is based on the pensionable pay figures shown above. In practice, individual employer rates could be very different based on their own circumstances and shortfall contributions are expressed as monetary amounts for a large number of employers in the Fund.

This update is not formal actuarial advice and does not contain all the information you need to make a decision on the contributions payable or investment strategy. As such it does not fall within the scope of the Pensions Technical Actuarial Standard (Pensions TAS). The information shown is approximate, and becomes more approximate as the projection period lengthens. It reflects changes in market conditions, but not client-specific factors such as material changes in membership numbers or profile. It is designed to give a broad picture of the direction of funding changes since the actuarial valuation but does not have the same level of reliability as, and therefore does not replace the need for, formal actuarial valuations.

Assets

For the purpose of this funding update, we have estimated the value of the assets at 31 March 2017, based on the quarterly returns.

Glossary

Funding ratio is the ratio of the value of assets to the value of liabilities.

Contributions and Accruals displays the expected increase in assets and liabilities due to employer contributions and new benefit accruals, respectively.

Asset Outperfomance displays the actual change in the funding level due to actual returns achieved on the assets differing from assumed interest.

Financial Assumptions displays the actual change in the funding ratio due to the impact of a change in the actuarial valuation basis.

Other displays the change in funding ratio due to experience.

Making decisions

You should not rely on this update when making any decision about scheme funding or the investment strategy, without first talking to your usual consultants.

About Aon

Agenda Item 9/

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 28 September 2017.

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Subject:

External audit's Audit Completion Report for the 2016/17 audit of West Yorkshire Pension Fund

Summary statement:

The report summarises the findings from the audit of West Yorkshire Pension Fund's 2016/17 financial statements.

Mark Kirkham
Partner
Mazars LLP

Report Contact: Steve Appleton
Phone: (01274) 432392
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2017 and forms the basis for discussion at the Governance and Audit Committee meeting on 28 September 2017.

At the time of issuing this report we anticipate issuing an unqualified opinion on your statement of accounts.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee:

- consider the unadjusted misstatements schedule (Appendix A); and
- approve the letter of requested representations (Appendix B) including the reasons for not amending the unadjusted misstatements.

11. APPENDICES

Audit Completion Report 2016/17

12. BACKGROUND DOCUMENTS

None.

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Audit Completion Report

West Yorkshire Pension Fund

For the year ended 31 March 2017

Contents

1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of West Yorkshire Pension Fund (the ‘Pension Fund’) for the year ended 31 March 2017, and forms the basis for discussion at the Governance and Audit Committee meeting on 28 September 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 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 include the matters outlined in the following table.

Financial statements	In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £47.96 million. We have updated our assessment as part of our continuous planning processes and have set materiality at £49.52 million. Our clearly trivial threshold for reporting matters to you has been set at £1.486 million. We communicated identified significant risks to you as part of our Audit Strategy Memorandum in March. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk. At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor’s report is provided in Appendix C.
Identified misstatements	Our work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A. Our work is ongoing so there may be additional matters which we will need to report to the Governance and Audit Committee.

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, the following significant matters remain outstanding:

Note 12 - Investments	Information to provide assurance on one unquoted private equity investment is outstanding.
Note 18 – Financial instrument risk	Our work on the classification of financial instruments between UK and overseas is ongoing.
Closure procedures and review	We will complete our standard closure procedures, including review of the amended financial statements and consideration of post balance sheet events.

We will provide an update to you in relation to these outstanding matters in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 'Communication with those charged with governance'.

Significant risks

As part of our planning procedures we considered the risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
Management override of control International Standards on Auditing 240 – The auditor's responsibility to consider fraud in an audit of financial statement (ISA 240) requires us to consider the potential for management override because controls that may be sufficient to detect error may not be effective in detecting fraud. In all entities, management at various levels within an organisation 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 overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk by: • reviewing accounting estimates affecting amounts included in the financial statements; • reviewing and considering any significant transactions outside the normal course of business; and • applying a risk based approach to journals recorded in the general ledger and other adjustments made in preparation of the financial statements.	Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention.
Valuation of unquoted investments for which a market price is not readily available As at 31 March 2017 the fair value of investments which were not quoted on an active market was £1.8 billion, which accounted for 13 per cent of net investment assets. The values used in the accounts are those provided by fund managers which are mostly	In addition to our standard programme of work in this area we carried out the following tests: • reviewed the management controls in place to assess the reasonableness of the valuation; • agreed the valuation to supporting documentation including investment	Management estimate the value of unquoted investments based on the best available information of the year end value at the time the financial statements are prepared. We obtained additional information from external fund managers relating to the year-end value

Significant risk	How we addressed the risk	Audit conclusion
based on Net Asset Value statements. This results in an increased risk of material misstatement.	manager valuation statements and cashflows for any adjustments made to the investment manager valuation; • agreed the investment manager valuation to audited accounts. Where these are not available, agreed the investment manager valuation to other independent supporting documentation; • where audited accounts were available, checked that they are supported by a clear opinion; and • where available, reviewed any independent control assurance reports and confirmed that they did not highlight any risks of material misstatement.	which was not available at the time the financial statements were prepared. We tested all unquoted investments with a market value greater than £20 million. The information obtained directly from fund managers of private equity investments highlighted that the value of these investments was understated by £26.959 million as at 31 March 2017. We separately tested a sample of the unquoted investments with market values less than £20 million. The information obtained directly from fund managers of private equity investments highlighted that the value of the sample items selected from the remaining population was understated by £11.487 million. In response to our testing management have reviewed the fair value of all unquoted private equity investments using the most recently available information of year-end values. This has resulted in an adjustment to increase year-end values by £44.247 million as set out at Appendix A (adjusted misstatements table).

Qualitative aspects of the Pension Fund's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Pension Fund's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	We have reviewed the Pension Fund's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code). In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.
Quality of the draft financial statements	We received draft financial statements from management on 5 June 2017. The draft financial statements were of a good standard.
Quality of supporting working papers	Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. The supporting working papers were readily available to the audit team and were also of a good standard.

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.

3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to 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.

As part of our audit we completed a review of IT general controls. We reported our findings to management and there were no matters which we considered sufficiently significant to report separately to you.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £1.486 million are set out below.

The first table outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

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

Unadjusted misstatements 2016/17

		Fund Account		Net Assets Statement	
		Debit (£'000)	Credit (£'000)	Debit (£'000)	Credit (£'000)
1	Debit: Profit and losses on disposal of and changes in the market value of investments	16,130	-	-	-
	Credit: Investment assets (opening balance)	-	-	-	16,130
	Unadjusted misstatements from the prior year which impact on current year figures are brought forward from the previous period. This is the same issue as reported at item 1 above although arising in the prior year. The difference in estimates for the valuation of unquoted investments at 31 March 2016 was included in our Audit Completion Report last year (September 2016) and management declined to amend on the basis of non-materiality. The difference affects the investment opening balance and the calculation of the change in market value of investments for the year.				
2	Debit: Investment assets (opening balance)	-	-	1,801	-
	Credit: Profit and losses on disposal of and changes in the market value of investments	-	1,801	-	-
	Unadjusted misstatements from the prior year which impact on current year figures are brought forward from the previous period. This misstatement relates to an error in the valuation of an investment at 31 March 2016 denominated in US dollars which was incorrectly classified as being denominated in sterling. The error was included in our Audit Completion Report last year (September 2016) and management declined to amend on the basis of non-materiality. The difference affects the investment opening balance and the calculation of the change in market value of investments for the year.				

Adjusted misstatements 2016/17					
		Fund Account		Net Assets Statement	
		Debit (£'000)	Credit (£'000)	Debit (£'000)	Credit (£'000)
1	Debit: Investment assets	-	-	44,247	-
	Credit: Profit and losses on disposal of and changes in the market value of investments	-	44,247		-
	This is the actual difference between the valuation of unquoted investments with a fair value of over £20 million at 31 March 2017 included in the accounts and a later estimate of year end valuation using more up to date information available at time of audit.				
2	Debit: Investment assets (Other investment balances)	4,170	-	-	-
	Credit: Investment assets (Pooled investment vehicles)	-	4,074	-	-
	Credit: Profit and losses on disposal of and changes in the market value of investments	-	-	-	96
	Being the correction of drawdowns incorrectly classified as pooled investment vehicles investments when the dealing date was 3 April 2017				

Disclosure amendments

The following disclosure amendments were made:

Disclosure Note	Amendment
Note 4 - Benefits payable	The 2015/16 analysis of benefits payable by member body has been re-stated to align the classification of member bodies to the current year classification. The amendment is wholly presentational and changes the amounts paid re Scheduled Bodies and Admitted Bodies by £28.538 million and £10.624 million respectively, with a corresponding decrease in the amounts paid re Other Interested Bodies With No Pensionable Employees of £39.162 million.
Note 12 – Investments (Movement in value)	Removal of corporate actions of £14.484 million from both equity purchases and sales. This relates to disclosure presentation only and does not impact on asset values.

Disclosure Note	Amendment
Note 12 (b) - Concentration of Investments	The disclosure has been amended to include four pooled funds which omitted from the draft accounts, the value of which exceeds 5% of total pooled funds.
Note 13 - Basis of Valuation	Reclassification of Other Investment Assets of £33.764 million (2016 - £40.689 million) from Fair Value Through Profit and Loss to Loans and Receivables.
Note 14 - Financial Instruments Classification	
Note 13 - Basis of Valuation	Reclassification of Other Investment Liabilities of £5.783 million (2016 - £5.950 million) from Fair Value Through Profit and Loss to Financial Liabilities at Amortised Cost.
Note 14 - Financial Instruments Classification	
Note 18 - Nature and Extent of risks arising from financial instruments: Interest Rate Risk	Amendment to include fixed interest bonds in the analysis of interest rate risk.
Note 18 - Nature and Extent of risks arising from financial instruments	Reclassification only of unquoted investments between UK and overseas.
Other minor presentational changes	We also agreed a small number of minor presentational changes to the disclosure notes and to the Pension Fund annual report to improve clarity for readers.

Unadjusted disclosure difference

The following disclosure note difference has not been amended as management consider the matter to be non-material to the financial statements as a whole:

Disclosure Note	Unadjusted difference
Note 1 - Contributions receivable	Audit sample testing identified a difference of £0.053 million in the classification of contributions receivable between employer and employee contributions per the Fund's records and the employer records. Extrapolation of the test result to the whole population indicates the potential classification misstatement is £2.63 million. This solely relates to the disclosure of contributions receivable and does not impact on the Fund Account.

Appendix B – Draft management representation letter

Mazars LLP
Mazars House
Gelderd Road
Leeds
LS27 7JN

September 2017

Dear Mark

West Yorkshire Pension Fund - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for West Yorkshire Pension Fund ('Pension Fund') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Strategic Director – Corporate Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Strategic Director – Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Strategic Director – Corporate Services

Date……………………

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Opinion on the Council's financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Strategic Director – Corporate Services and auditor

As explained more fully in the Statement of the Strategic Director – Corporate Services' Responsibilities, the Strategic Director – Corporate Services 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director – Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Report on the Pension Fund financial statements

We have audited the West Yorkshire Pension Fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Strategic Director - Corporate Services and auditor

As explained more fully in the Statement of the Strategic Director – Corporate Services' Responsibilities, the Strategic Director - Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director - Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Council's Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Pension Fund financial statements

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the narrative report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate
We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Comptroller and Auditor General.

[*Signature*]

Mark Kirkham

For and on behalf of Mazars LLP
Mazars House,
Gelderd Road
Leeds
LS27 7JN

September 2017

Appendix D – Draft Consistency Report

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

We have examined the Pension Fund financial statements for the year ended 31 March 2017, which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of City of Bradford Metropolitan District 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 City of Bradford Metropolitan District Council as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Strategic Director – Corporate Services and the auditor

As explained more fully in the Statement of the Strategic Director - Corporate Services' Responsibilities, the Strategic Director - Corporate Services is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of City of Bradford Metropolitan District Council as a body, our opinion on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the Pension Fund financial statements in the Statement of Accounts of City of Bradford Metropolitan District Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We also read the other information contained in the Pension Fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Pension Fund financial statements. The other information consists only the Foreword, Management Structure, Local Pension Board Annual Report, Pensions Administration Review, Financial Management and Performance, Investment Report, Investment Management and Strategy, Investment Markets, Actuary's Report and all appendices.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the full annual Statement of Accounts of City of Bradford Metropolitan District Council for the year ended 31 March 2017 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

[*Signature*]

Mark Kirkham

For and on behalf of Mazars LLP
Mazars House,
Gelderd Road
Leeds
LS27 7JN

September 2017

Appendix E – 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.

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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the External Auditor to the meeting of Governance and Audit Committee to be held on 28 September 2017.

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Subject:

External audit's Audit Completion Report for the 2016/17 audit of City of Bradford Metropolitan District Council

Summary statement:

The report summarises the findings from the audit of City of Bradford MDC's 2016/17 financial statements.

Mark Kirkham
Partner
Mazars LLP

Report Contact: Steve Appleton
Phone: (01274) 432392
E-mail: steve.appleton@mazars.co.uk

1. SUMMARY

This document has been prepared to feed back the findings of our audit for the year ended 31 March 2017 and forms the basis for discussion at the Governance and Audit Committee meeting on 28 September 2017.

At the time of issuing this report we anticipate:

- issuing an unqualified opinion on your statement of accounts; and
- concluding that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

2. BACKGROUND

Not applicable.

3. OTHER CONSIDERATIONS

None.

4. OPTIONS

Not applicable.

5. FINANCIAL & RESOURCE APPRAISAL

Not applicable.

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None.

7. LEGAL APPRAISAL

Not applicable.

8. OTHER IMPLICATIONS

8.1 EQUALITY & DIVERSITY

Not applicable.

8.2 SUSTAINABILITY IMPLICATIONS

Not applicable.

8.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable.

8.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable.

8.5 HUMAN RIGHTS ACT

Not applicable.

8.6 TRADE UNION

Not applicable.

8.7 WARD IMPLICATIONS

Not applicable.

9. NOT FOR PUBLICATION DOCUMENTS

None.

10. RECOMMENDATION

That the Governance and Audit Committee:

- consider the unadjusted misstatements schedule (Appendix A); and
- approve the letter of requested representations (Appendix B) including the reasons for not amending the unadjusted misstatements.

11. APPENDICES

Audit Completion Report 2016/17

12. BACKGROUND DOCUMENTS

None.

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Audit Completion Report

City of Bradford Metropolitan District Council

For the year ended 31 March 2017

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Contents

1. Executive summary

Purpose of this report

The Audit Completion Report sets out the findings of our audit of City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2017, and forms the basis for discussion at the Governance and Audit Committee meeting on 28 September 2017.

The scope of our work and overall summary

The detailed scope of our work as your appointed auditor for 2016/17 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 include the matters outlined in the following table.

Financial statements	In our Audit Strategy Memorandum we reported that materiality for the financial statements as a whole was set at £19.560 million. We have updated our assessment as part of our continuous planning processes and have set materiality at £17.916 million. Our clearly trivial threshold for reporting matters to you has been set at £0.448 million. We communicated identified significant risks to you as part of our Audit Strategy Memorandum in April 2017. Section 2 of this report outlines the work we have undertaken, and the conclusions we have reached, for each significant risk. At the time of issuing this report, and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, on the financial statements. Our draft auditor's report is provided in Appendix C.
Identified misstatements	Our work identified a few misstatements that have been discussed with management. A summary of the identified misstatements is provided in Appendix A.
Value for Money	At the time of issuing this report, and subject to the satisfactory completion of the remaining audit work, we anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report is provided in Appendix C.
Whole of Government Accounts (WGA)	We plan to complete our work on your WGA submission, in line with the group instructions issued by the National Audit Office, by the deadline of 30 September 2017. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

The status of our work

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2017.

At the time of preparing this report, the following significant matters remain outstanding:

Closure procedures and review	We will complete our standard closure procedures, including consideration of post balance sheet events.
Whole Government Accounts (WGA)	We will complete the required procedures for the WGA return.

We will provide an update to you in relation to these outstanding matters in a follow up letter prior to giving our opinion.

2. Significant findings

This section sets out the significant findings from our audit and provides information on a number of matters that we are required to report to you by ISA 260 ‘Communication with those charged with governance’.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council’s financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we will mitigate these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. The significant risks identified, and our conclusions against each are outlined below.

Significant risk	How we addressed the risk	Audit conclusion
Management override of control In all entities, 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 overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk by performing audit work in the following areas: • accounting estimates affecting 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.	Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We identified no indication of management override of controls.
Revenue recognition In accordance with international standards on auditing (ISA 240) we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Council’s range of revenue sources, we	We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we undertook a range of substantive procedures including: • testing receipts in the pre and post year end period to ensure they have been recognised in the right year; • testing a sample of adjustment journals; and	Our work has provided the assurance we sought. Our sample testing of receipts in the period after year-end identified income of £0.205 million which should have been recognised in 2016/17 but had not been accrued. Appendix A sets out the possible non-material misstatement if the sample results were replicated within the whole population.

have concluded that there are insufficient grounds for rebuttal.	• obtaining direct confirmation of principal year-end bank balances and testing the reconciliations to the ledger.	
Estimation uncertainty for pension liabilities The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we: • evaluated the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and • considered the reasonableness of the actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.	Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of material estimation error in respect of pensions.
Accounting for the valuation of land and buildings for schools converting to academy status During 2016/17, there have been a large number of local authority maintained schools converting to academy status. The conversion process involves removal of the school assets from the Council's balance sheet and due to the scale of the conversions during the year, this increases the risk of material misstatement.	As part of our work we evaluated the management controls in place, designed to ensure that all schools, which achieve academy status during the year are appropriately excluded from the Council's balance sheet. We tested a sample of school assets to confirm that land and buildings have been accounted for correctly in the financial statements.	Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. There is no indication of material error relating to the treatment of schools converting to academy status.

Identified key areas of management judgement

Area of management judgement	How we considered this judgement	Audit conclusion
Valuation of property, plant and equipment Land and buildings are the Council's highest value assets. Management use in house valuation services, as an expert, to determine the value of property to be included in the financial statements.	We reviewed: • the scope and terms of the engagement with the valuer; and • how management use the valuer's report to value land and buildings in the financial statements.	We have completed our planned work after reviewing the Council's use of experts to inform management judgements about valuation of land and buildings and the application of the new financial reporting standard. We have also considered the evidence of regional valuation trends provided by our external expert.

	We wrote to the valuer to obtain information on the methodology and their procedures to ensure objectivity and quality. We also considered evidence of regional valuation trends.	We identified no matters to bring to your attention.

Qualitative aspects of the Council's accounting practices

We are required to communicate to you our views on the significant qualitative aspects of the Council's accounting practices, including the accounting policies used and the quality of disclosures.

Qualitative aspect	Our views
Accounting policies and disclosures	We have reviewed the Council's accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting (the Code). In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2017.
Quality of the draft financial statements	We received draft financial statements from management on 30 June 2017. We identified a few numerical misstatements which are detailed in Appendix A although none have a material impact on the Council's reported financial performance for the year or year-end assets and liabilities.
Quality of supporting working papers	Producing high-quality working papers is as crucial part of compiling financial statements that are complete and materially accurate. They also support the delivery of an efficient audit. The working papers supporting the financial statements were of a good standard. We are grateful to officers for their assistance in responding to requests for information and in dealing with our queries in a timely and efficient manner.

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.

3. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place that are relevant to the preparation of the financial statements. We do this to design audit procedures that allow us to express an opinion on the financial statements; this does not extend to 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:

- **Priority 1 (high)**

  There is potential for financial loss, damage to reputation or loss of information. Weaknesses may have implications for the achievement of strategic objectives and our recommendations should be considered immediately by management.

- **Priority 2 (medium)**

  There is a need to strengthen internal controls or enhance efficiency. Our recommendations should be actioned in the near future.

- **Priority 3 (low)**

  Internal controls should be strengthened where practicable and where there is a cost benefit from doing so.

Deficiencies in internal control – Priority 2

Description of deficiency	IT user access testing for leavers identified that for a sample of 25 leavers, the access termination request for 13 leavers was issued after the leaving date. We completed additional procedures checking the last logon dates for the leavers and confirmed that none of the 13 leavers logged on to the network or any business critical system after their leaving date.
Potential effects	Leavers are not deactivated in a timely manner, meaning that inappropriate access to business critical systems would be possible.
Recommendation	In order to avoid unauthorised access to the Council's network and programs, we recommend ensuring that formal access disabling requests are issued for all leavers before their leaving date.
Management response	A new Leavers Process is currently under test which incorporates functionality to ensure access to key corporate IT systems are flagged for disabling. The new system has increased automation which will make it a more efficient process for council managers to work with and maintain timely compliance to closing down IT access for staff who leave the organisation.

Deficiencies in internal control – Priority 2

Description of deficiency	Although business continuity testing is performed every year by the Council, no disaster recovery testing was performed during the audit period.
Potential effects	Major incidents or disasters may cause outage of one or more business critical systems, causing data loss, thereby affecting the availability and integrity of information.
Recommendation	In order to ensure proper and timely recovery in case of a disaster or major incident, we recommend testing the Disaster Recovery Plan at least on an annual basis.
Management response	Work is underway to determine the IT DR requirements for council departments starting with Health and Well Being, Children's Services and Corporate Services. Once requirements are known a test plan to simulate a loss of a key systems will be agreed with the department leads by December 2017 with testing to follow in 2018.

4. Value for Money Conclusion

Our approach to Value for Money

We are required to form a conclusion as to whether the Council 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	The Council has a Constitution in place which is reviewed annually and provides the framework within which the Executive take decisions in exercise of Council functions. During the year a new senior management structure has been established to better respond to the Council's future plans and challenges. The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify actions required to mitigate the identified risks. The Council uses corporate and departmental service level performance measures to report and manage service delivery. The Annual and Mid-year Finance and Outturn Performance Reports, and Quarterly Financial Monitoring Reports, present to the Executive and Corporate Overview & Scrutiny the current and forecast position on performance and finance in relation to the Council's activities. A set of corporate indicators is in place that focuses on key Council priorities. Performance is monitored through Departmental Management Teams, Corporate Management Team with reporting to the Executive and Overview and Scrutiny Committees.	Yes

Sustainable resource deployment	The Council delivered a small budget underspend of £0.3 million for 2016/17 having made savings of £37.7m. The Council has a good track record of achieving savings having managed to reduce spending by £218 million over the past 6 years. The Council has developed a better alignment between budget processes and its purposes, priorities and ambitions as set out in the Council Plan. The Council set a balanced budget for 2017/18 underpinned by detailed savings plans. Robust monitoring processes are in place to identify emerging financial issues to enable compensatory savings to be developed. The Council approved a medium-term financial strategy for 2018/19 to 2020/21 and beyond which is a key part of the Council's planning and performance framework. The financial outlook remains highly challenging requiring identification of further savings of £12.4 million for 2018/19 rising to £45.8 million for 2020/21.	Yes
Working with partners and other third parties	The District Plan has been developed with key partners and partnerships setting out long-term ambitions for the district and outlines priorities for action. A review of Bradford District Partnerships arrangements has established clear leads for each of the agreed outcomes that form the Council and District's vision. Accountable Care Boards have been established to govern the development of Accountable Care Systems across Bradford district. The Council is actively engaged with the developments and is leading a study into the legal options for the Accountable Care System. The Council continues to explore scope for alternative delivery models and some, for example, community libraries, are already in place, with others being researched.	Yes

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Value for Money conclusion risk	Work undertaken	Conclusion
The Council faces significant financial pressure from reduced funding and increasing demand for some services. The challenge to identify and implement savings is increasingly difficult as by the year end the Council will have reduced spending by over £218m since 2011/12. The VFM risk is that we will not be able to reach a safe conclusion without undertaking further work to assess the Council's arrangements to achieve the planned balanced position for the next two years and to identify further plans to bridge the funding gaps for 2019/20 (£19.7m) and 2020/21 (£49m).	We will review the Council's arrangements for: • monitoring budgets and ensuring that identified savings are being achieved; • revising the medium term financial plan; and • developing plans to bridge the funding gap for future years through the outcome led planning and budgeting process. We will also review a sample of project plans for saving proposals and consider the arrangements in place for delivery.	The Council has made arrangements for managing its savings programme and achieved planned savings of £37.7 million, equivalent to 83% of the savings plan, during 2016/17. The shortfall of £7.9 million was bridged by compensating measures including use of budget contingencies set aside to mitigate the risks of delay in implementing some of the more complex savings plans. The Council approved a balanced budget for 2017/18 in February 2017 which involves planned savings of £46 million. Financial monitoring processes allow management to identify emerging difficulties implementing planned savings so that mitigating actions can be taken at an early stage. In addition the Council has revised its medium term financial strategy for 2018/19 to 2020/21 and beyond to provide a longer term view of the significant financial challenge it faces. Our review indicates that the core assumptions are appropriate factors to consider and that management recognise the risks associated with the assumptions.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix C states that we intend to issue an unqualified Value for Money conclusion for the 2016/17 financial year.

Appendix A – Summary of misstatements

The misstatements identified for adjustment during the course of the audit that are above the trivial level of £0.448 million, are set out below for adjustment. The table outlines the identified misstatements which management has assessed as not being material, either individually or in aggregate to the financial statements, and does not currently plan to adjust.

<table>
<tr><th colspan="6">Unadjusted misstatements 2016/17</th></tr>
<tr><td colspan="2" rowspan="2"></td><th colspan="2">Comprehensive Income and Expenditure Statement</th><th colspan="2">Balance Sheet</th></tr>
<tr><th>Debit (£'000)</th><th>Credit (£'000)</th><th>Debit (£'000)</th><th>Credit (£'000)</th></tr>
<tr><td rowspan="3">1</td><td>Debit: Short term debtors</td><td>-</td><td>-</td><td>1,016</td><td>-</td></tr>
<tr><td>Credit: Gross income</td><td>-</td><td>1,016</td><td>-</td><td>-</td></tr>
<tr><td colspan="5">Our sample testing of receipts in the period after year-end identified income of £0.205 million which should have been recognised in 2016/17 but had not been accrued. Extrapolation of the error rate in the sample to the whole population indicates a possible understatement of gross income for 2016/17 and year-end short term debtors of £1.016 million. As the extrapolation indicates the misstatement is non-material no further testing was undertaken.</td></tr>
<tr><td rowspan="3">2</td><td>Debit: Short term creditors</td><td>-</td><td>-</td><td>754</td><td>-</td></tr>
<tr><td>Credit: Gross expenditure</td><td>-</td><td>754</td><td>-</td><td>-</td></tr>
<tr><td colspan="5">Our sample testing of short term creditors identified an item of £0.027 million which management consider is no longer a liability being over 6 years old and should be de-recognised from the Balance Sheet. Extrapolation of the error rate in the sample to the whole population indicates a possible overstatement of year-end liabilities by £0.754 million with a corresponding write back to gross expenditure for 2016/17. As the extrapolation indicates the misstatement is non-material no further testing was undertaken.</td></tr>
<tr><td rowspan="3">3</td><td>Debit: Gross expenditure</td><td>559</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>Credit: Short term creditors</td><td>-</td><td>-</td><td>-</td><td>559</td></tr>
<tr><td colspan="5">Our sample testing of payments in the period after year-end identified expenditure of £0.079 million which should have been recognised in 2016/17 but had not been accrued. Extrapolation of the error rate in the sample to the whole population indicates a possible understatement of gross expenditure for</td></tr>
</table>

	2016/17 and year-end short term creditors of £0.559 million. As the extrapolation indicates the misstatement is non-material no further testing was undertaken.

Adjusted disclosure misstatements

1. Prior period adjustments (Note 2)

The narrative was amended to clarify that the basis for the re-statement of the Comprehensive income and expenditure statement presentation changes was due to changes in the requirements of the CIPFA Code of Practice on Local Authority Accounting 2016/17 rather than due to prior year errors.

2. Expenditure and funding analysis (Note 23)

The format of the disclosure was amended to provide a clearer analysis of the differences between net expenditure reported in the Comprehensive income and expenditure statement, the amounts chargeable to the general fund and the Council's outturn statement.

The adjustment has no effect on the Council's reported financial performance or financial position.

3. Exit packages (Note 33)

The analysis of exit packages was amended to remove costs of £0.067 million incorrectly included in the draft disclosure.

4. Private Finance Initiative (Note 36)

The narrative disclosure of the closing value of assets held under the scheme was amended by £0.6 million to £26.639 million to correct a typing error.

5. Other minor presentational changes

We also agreed a number of minor presentational changes to the disclosure notes to improve clarity for readers of the financial statements.

Appendix B – Draft management representation letter

Mazars LLP
Mazars House
Gelderd Road
Leeds
LS27 7JN

September 2017

Dear Mark

City of Bradford Metropolitan District Council - audit for year ended 31 March 2017

This representation letter is provided in connection with your audit of the statement of accounts for City of Bradford Metropolitan District Council ('the Council') for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the statement of accounts such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Strategic Director – Corporate Services that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with Code.

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 Strategic Director – Corporate Services for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2016/17 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 require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Strategic Director – Corporate Services

Date……………………

Appendix C – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

Opinion on the Council's financial statements

We have audited the financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Strategic Director – Corporate Services and auditor

As explained more fully in the Statement of the Strategic Director – Corporate Services' Responsibilities, the Strategic Director – Corporate Services 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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director – Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of City of Bradford Metropolitan District Council as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);
- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Report on the Pension Fund financial statements

We have audited the West Yorkshire Pension Fund financial statements for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The Pension Fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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 paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of City of Bradford Metropolitan District Council, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Strategic Director - Corporate Services and auditor

As explained more fully in the Statement of the Strategic Director – Corporate Services' Responsibilities, the Strategic Director - Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Strategic Director - Corporate Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Council's Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Pension Fund financial statements

In our opinion the Pension Fund's financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the fund's assets and liabilities as at 31 March 2017 other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the narrative report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Respective responsibilities of the Council and the auditor

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required to conclude whether the Council has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General, we are satisfied that in all significant respects, City of Bradford Metropolitan District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Comptroller and Auditor General.

[*Signature*]

Mark Kirkham

For and on behalf of Mazars LLP
Mazars House,
Gelderd Road
Leeds
LS27 7JN

September 2017

Appendix D – Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Strategic Director – Corporate Services to the meeting of Governance and Audit Committee to be held on 28 September 2017.

M

Subject:

STATEMENT OF ACCOUNTS 2016-17

Summary statement:

The 2016-17 Statement of Accounts (SOA) have been externally audited and are now presented to Governance and Audit Committee for approval. The External Auditor (Mazars) has reported their findings in two separate Audit Completion Reports, one for the Council and another for the West Yorkshire Pension Fund. Members are asked to consider these before approving the SOA.

This report provides an overview of the 2016-17 Statement of Accounts and includes a response to the Council's Audit Completion Report.

Stuart McKinnon Evans
Strategic Director - Corporate Services

Report Contact: James Hopwood
Phone: (01274) 432882
E-mail: James.Hopwood@Bradford.gov.uk

Portfolio:

Corporate

Improvement Area:

Corporate

Parveen Akhtar: City Solicitor

1. BACKGROUND

1.1 The Strategic Director, Corporate Services approved and issued the unaudited 2016-17 Statement of Accounts (SOA) by 30 June 2017 in accordance with the Accounts and Audit Regulations 2015. In accordance with these Regulations, Members are also asked to approve the audited SOA on or before 30 September 2017.

1.2 The Council has issued Mazars (the External Auditor) with a written representation about the Council's financial statements and governance arrangements. Mazars have included this representation letter in the Audit Completion Report. Members are required to consider the Representation Letter before the auditor issues the opinion.

1.3.1 This report shows the position of the external audit as at Tuesday 19 September. Following the completion of the external audit, an update will be provided as appropriate.

2. KEY MESSAGES

a) Significant items in the SOA

- The total value of the Council's financial assets was less than its outstanding liabilities, as measured by accounting rules. The Council had a negative net worth of £292m at 31 March 2017.
- The overriding reason for the negative net worth is that the valuation of the pension fund shows a deficit of £829.9m. This deficit represents a future shortfall between long-term pension benefits promised to employees and the investments set aside to fund them. The comparison between pension benefits and investments looks into the future, so is sensitive to the assumptions used to do this.
- The pension fund deficit shown in the SOA is based on a projection of the future using assumptions prescribed to a large extent by accounting rules. However, different assumptions are used in the triennial valuation of the pension fund, commissioned by the West Yorkshire Pension Fund to determine Bradford's actual pension contributions. Using these different assumptions suggests that the costs of pension benefits versus investments are more in balance. Also, as the triennial valuation determines pension contributions and these are fully allowed for in the Medium Term Financial Plan, the deficit shown in the SOA has no cash flow impact.
- Contributing to the negative net worth are net liabilities of £143m for schools built under the Private Finance Initiative (PFI). There is a net liability because while the Council is still paying for the building costs, accounting rules mean that the schools cannot be shown on the balance sheet. The schools converted to academies and accounting rules determine that the Council exercises insufficient control over academies to include them on its balance sheet. It should be noted though, that the Council receives a Government grant each year to pay off the building cost for the schools, so the net liability has no cash flow impact or implication for the Medium Term Financial Plan.
- Other schools, in addition to those funded by PFI, converted to academies in 2016-17 contributing to the Council's negative net worth. The conversion of schools to

academies was the main cause of the £125.9m reduction in the value of long term assets shown on the Council's balance sheet.

- Other significant items in the SOA are the £20.4m (£22.7m at 31 March 2016) set aside in provisions. These provisions are for past commitments up to 31 March 2017 which have a financial cost and require payment at a future date. The provision includes amounts set aside for expected redundancy costs, due to past budget decisions to reduce staffing. A provision has been set aside to pay for successful appeals against Business Rates. There is a provision to contribute to insurance pay-outs on submitted claims against the Council up the 31 March 2017.
- The long term borrowing shown on the Council's balance sheet increased by £16m to £322m in 2016-17. This was due to £26m of new borrowing in 2016-17 less £10m of previous borrowing due to be repaid in 2017-18, shown as a short term creditor on the balance sheet.
- Total expenditure on the capital programme in 2016-17 was £61.5m including £6.2m on affordable housing, £5.4m on expanding primary school provision and £3.7m on disabled adaptations in residents' homes. 20% of this capital programme was funded by internal borrowing, with the remainder funded from grants, revenue contributions and capital receipts (page 15 SOA).
- The Comprehensive Income and Expenditure (CI&E) Statement (page 22 SOA) shows a deficit on the provision of services of £150.5m in 2016-17. However, this deficit includes accounting adjustments, such as valuation changes on land and buildings, which have no cash flow impact. After removing these, which are also not chargeable against Council Tax, services spent £0.3m less than the approved 2016-17 revenue budget of £378m.
- Overall, the Council held £191.3m of useable reserves at 31 March 2017. £38.3m of this is available to fund the capital programme in future years, with the remainder to fund anticipated liabilities, direct to Council priorities and support budgets.
- The Collection Fund Statement shows Council Tax and Business Rates collected by the Council and how this income is distributed between the Council and other parts of the public sector. Overall, the results for 2016-17 show just a small £0.2m pressure for the Medium Term Financial Plan.

b) Summary of the External Auditor's findings in respect of the SOA and agreed amendments

- There was no material misstatement in the draft 2016-17 SOA and no misstatements on the main statements.
- There are no matters to bring to Members' attention in connection with the significant risks and key judgements set out in the 2016-17 Audit Strategy Memorandum.
- There were a very small number of changes on the disclosure notes. None impacted on the General Fund balance or usable reserves as at 31 March 2017.

3. CHANGES IN ACCOUNTING POLICIES IN 2016-17 AND PRIOR YEAR ADJUSTMENTS

3.2 A new accounting policy introduced in 2016-17 requires income and expenditure to be categorised according to the Council's structure – e.g Department of Place. Previously income and expenditure was categorised using nationwide standard classifications, rather than the Council's structure. The main impact of this change is on the Comprehensive Income and Expenditure Account. However, there are also some minor changes to disclosure notes and a requirement for additional disclosures.

3.2 In line with accounting rules on changes in accounting policy, there was also a requirement to restate the 2015-16 Comprehensive Income and Expenditure Account.

4 SIGNIFCANT ITEMS INCLUDED IN 2016-17 SOA

The Council's full set of accounts runs to 139 pages and its content is prescribed by statutory accounting standards. Listed below therefore are the significant matters Members may wish to consider when assessing the Council's financial position before approving the 2016-17 SOA.

4.1 Balance Sheet (page 23)

a) Net worth (total reserves)

The Council's net worth, the total value of its financial assets less the value of its outstanding liabilities, is shown on the Balance Sheet. At 31 March 2017 the Council's net worth decreased by £249.8m from a negative net worth of £42.2m to a negative net worth of £292m.

The most significant contribution to the decrease in net worth was an adverse valuation of the pension fund, increasing the deficit by £129.7m to £829.9m. This valuation was based on accounting rules and is known as the International Accounting Standards (IAS) 19 valuation.

As discussed, there is another pension fund valuation, called the triennial valuation, which presents a much more positive picture. Adjusting for elements of the pension fund deficit that are excluded from the triennial valuation, this suggests a deficit of around £130m.

The overriding factor causing the difference between the triennial and IAS19 valuation are the long term assumptions about the rate of decline in the value of money, or broadly speaking, the inflation rate. This is because the future pension promises to employees are expressed in monetary amounts, so when the value of money declines, the real cost of paying pensions is reduced. A key point, therefore, about the pension deficit shown in the SOA is that the true position is contingent on the future value of money. The deficit position presented in the SOA changes substantially with very small changes to this assumption. So a 0.1% decline in the assumed value of money reduces the IAS19 pension deficit by £48m.

There are other differences in assumptions between the triennial and IAS19 valuation, such as in life spans and the growth in investments set aside to pay pensions. However, these differences are of less overriding significance than the assumed future value of money.

As noted previously, the net pension deficit is showing the position over the very long term. There are also no liquidity implications because Bradford's employer pension contributions are based on the triennial valuation.

Another significant element of the overall net worth is the PFI liability of £143.009m but as this will be funded from an annual government grant, there are no funding implications for the Council. (The balance sheet does not show the future receipt of this Government grant as an asset.)

Last year it was also reported to the Governance and Audit committee that the Council's net worth was expected to increase because future changes to accounting rules would increase the values placed on some of the Council's long term assets. However, these changes to accounting changes were never made because of practical difficulties relating to the implementation.

b) Long term assets - Property, Plant and Equipment - Note 9 Page 46

Long term assets mostly comprise Property, Plant and Equipment. They declined by £126m from £1,149m at 31 March 2016 to £1,023m at 31 March 2017.

This main reason for this decline was £132m of disposals relating to property, plant and equipment. However, most of these related to the conversion of schools to academies. At the point of conversion, accounting rules require the schools to be removed from the Council's Balance sheet for nil consideration. This is because the Council exercises insufficient control over academies, to meet accounting tests to include them on the balance sheet.

Overall 29 of the Council's maintained schools converted to academies during 2016-17, in effect treated as disposals for nil value in the SOA. A further 8 schools converted to academies but were already excluded from the balance sheet because, for instance, they were voluntary aided schools over which the Council also exercises insufficient control. The table below summarises all Bradford schools and sets out the accounting treatment.

Type of school	2015-16	2016-17	Accounting Treatment
Community	91	68	On Balance Sheet
Special Schools	6	6	On Balance Sheet
Foundation	13	9	2 Church of England Off Balance Sheet, 7 owned by Governing Bodies On Balance Sheet
Voluntary Aided	29	24	Off Balance sheet
Voluntary Controlled	12	10	Off Balance sheet (with the exception of 3 VC schools the Council still holds the legal title)
Academies	35	72	Off Balance sheet
Trust	5	2	Off Balance sheet
TOTAL SCHOOLS	**191**	**191**	
Nurseries	7	7	On Balance Sheet

Other changes on property, plant and equipment include £50.5m of capital expenditure, £36.8m of depreciation and £8m of net revaluation reductions.

The £50.5m of capital expenditure directly added to the value of long term assets is less than the £61.5m total of the capital programme. The remaining £11m of expenditure in the capital programme was on assets that the Council does not own, such as disabled adaptations in resident's homes. As a result, it does not increase the value of the Council's assets.

The £36.8m depreciation charge in 2016-17 represents a cost of using up one year of the finite lives of the property, plant and equipment held by the Council.

The £8m of revaluation reductions is mainly from the 5 year revaluation programme of the Council's assets. The revaluation assesses usage value for the Council of the assets over their life. Of the £8m net reduction, all the largest reductions relate to school buildings and land.

c) Heritage Assets (Note 12, Page 49)

The £36.9m valuation at 31 March 2017 for Heritage assets showed a small increase of £0.6m above the valuation of £36.3m at 31 March 2016. The £0.6m increase mainly related to a donated Heritage asset in 2016-17.

d) Investment Properties (Note 13, Page 50)

The value of investment properties at 31 March 2017 was £48.6m, showing an increase of £2.2m. This increase was mostly due to the revaluations of the properties.

e) Provisions (Note 20, Page 54).

At 31 March 2017 the Council's provisions of reduced slightly to £20.4m compared to £22.7m as at 31 March 2016.

Notable movements in provision balances in year were as follows:

- £5.9m was set aside at 31 March 2017 to fund future redundancy payments for voluntary redundancies agreed as part of the 2017-18 saving proposals. This compares with £8.4m set aside at 31 March 2016.
- Provisions set aside for insurance claims reduced slightly from £7.8m at 31 March 2016 to £7.4m at 31 March 2017.
- The Business Rate provision decreased from £5.9m in 2015-16 to £5.8m in 2015-16.

f) Long term borrowing (Note 47c, Page 94)

When the Council's long term assets of £1.023bn at 31 March 2017 are compared to the Council's long term borrowing of £322m and long term gross PFI liability of £185.902m, this gives a ratio of long term borrowing to fixed assets of 0.50 (0.44 in 2015-16).

The higher ratio in 2016-17 is driven by the reduction in long term assets, which in turn, as noted above, is caused mainly by the conversion of schools to academy status.

g) Current assets (Note 18, Page 52)

The Council's short term liquidity is good with a positive ratio of current assets of £154m (£161m in 2016) compared to current liabilities of £116m (£133m in 2016).

Also at £70m on 31 March 2017 (£78m at 31 March 2016), the Council's and schools' cash and short term investments balances remain strong. This includes the £26m of new borrowing from the Public Works Loan Board in 2016-17.

h) Reserves (Note 5, Page 43)

At 31 March 2017 the Council had £153m of earmarked revenue reserves. £16.8m of reserves were used straight away to support the 2017-18 budget. After further retaining £10.8m as a minimum General Fund balance and ringfencing £25.2m of reserves owned by schools, the Council has £100.2m. These are required to meet the cost of future commitments, political priorities and specific financial risks. There are also £38.3m of grants and receipts to fund the capital programme.

Reserves	31 March 2016 £m	31 March 2017 £m
Corporate earmarked reserves to cover specific financial risks or initiatives	39.9	38.0
Reserves to support the capital investment plan	13.1	14.4
Service earmarked reserves supported by spending plans	41.8	41.7
Grants received but not yet used for their specified purposes	8.4	8.4
General Fund balance	10.8	10.8
School balances	33.8	25.2
Unallocated corporate reserves	19.9	14.5
Sub-total revenue reserves	**167.7**	**153.0**
Capital grants and receipts	34.5	38.3
Total	**202.2**	**191.3**
Unallocated reserves used immediately to support following year's budget	-6.1	-16.8
Remaining reserves	**196.1**	**174.5**

Further information on the Council's Reserves can be found in Note 5, Page 43.

4.2 Comprehensive Income and Expenditure Statement (CIES) – Page 22

a) Financial Outturn and Deficit on the Provision of Services

The Comprehensive Income and Expenditure statement (page 22), reports that the 2016-17 deficit on the Comprehensive Income and Expenditure Account is £249.9m, compared to £25.6m in 2015-16.

However, many of the transactions that make up this deficit are technical accounting adjustments which by statute cannot be charged against Council Tax. For example, accounting rules require adjustments for revaluation losses when a valuer determines a change in a buildings value. These revaluation losses are nominal only as they have no impact on cash flow – they have not been realised, for instance, through the sale of the property.

As these adjustments cannot be charged against Council Tax, they are reversed out in the Movement in Reserves Statement (MIR). Once this reversal is taken into account, there was an £0.3m underspend compared to the budget, as shown in the 2016-17 Annual Financial and Performance Report (Executive 11 July 2017). Within the MIR, the £0.3m underspend forms part of the net £6.2m transfer out of earmarked reserves (line O, MIR, page 21).

4.3 Collection Fund Statement – Page 97

The Collection Fund Statement shows the in-year actual collection of Council Tax and Business Rates, less amounts to be distributed. Distributions for Council Tax are to the Council, Police, Fire and Parishes. Distributions for Business Rates are to the Council, Government and Fire.

The 2016-17 distributions are legally fixed amounts. They were based on budgeted income for Council Tax and Business Rates, set prior to the start of 2016-17 but before the end of the 2015-16 financial year. Specifically 2016-2017 budgeted income is 2016-17 expected total tax collection adjusted for an anticipated surplus or deficit brought forward from the previous financial year.

For 2016-17, Bradford's actual share of the Council Tax collected was £1.8m higher than budgeted income, mainly due to lower uncollected debt. This £1.8m surplus was overestimated by £0.2m when setting the 2017-18 budget. The final result, therefore, is a £0.2m pressure on the Medium Term Financial Plan.

Bradford's 2016-17 actual share of Business Rates collected was £5.8m lower than originally budgeted, mainly due to more successful appeals against rateable values. However, this variation was fully anticipated when the 2017-18 budget was set so there is no impact on the Medium Term Financial Plan.

5.0 RESPONSE TO THE AUDIT COMPLETION REPORT

The External Auditor's Audit Completion Report (ACR) summarises findings from the 2016-17 audit of the draft SOA.

The ACR identified no significant risks to the production of the SOA, no material errors and no misstatements whatsoever on the main statements.

The ACR identifies a very small number of trivial errors from the extensive sampling exercise undertaken by external auditors, typically relating to estimated debtors or creditors. The ACR extrapolates these errors against all transactions in the SOA to show a potential impact of around £1m. This is less than 0.1% of the gross expenditure shown in the Comprehensive Income and Expenditure account: £1,194m.

The ACR identifies five amendments on the disclosure notes. These are listed below:

a) The narrative disclosure for the Private Finance Initiative (Note 36) for the closing value of assets held under the scheme was amended by £0.6m to £26.639m to correct a typing error.

b) There were some minor changes to the Exit Package disclosure note. Total costs were reduced by £0.081m compared to £3.5m total costs shown in the draft SOA.

c) The format of the Expenditure Funding Analysis disclosure note was amended to increase clarity for readers (this was a new disclosure note required in 2016-17).

d) The narrative for prior period adjustments was amended to clarify that the basis for the re-statement of the Comprehensive income and expenditure presentation was due to changes in the CIPFA Code of Practice on Local Government Accounting 2016/17.

e) There were minor presentational changes to some other disclosure notes to improve clarity.

6.0 Events after the Balance Sheet Date

There are two types of post balance sheet event. Adjusting events require restatement of the SOA where they change the value of assets and liabilities as at 31 March 2017. The Council has no adjusting events.

There are also non adjusting post balance sheet events, where there is an impact on assets and liabilities after 31 March 2017. These are disclosed in the SOA and are listed below:

- Since 1 April, three Community schools have transferred to academy status. These are High Park Special School; Priestthorpe Primary School and Pheonix Special School. These Schools, which had an estimated value of £14m at 31 March 2017, will be removed from the 2017-18 Balance Sheet when a 125 year peppercorn lease is completed. Further a long term lease on Appleton Academy, which previously transferred to Academy Status, completed in August so a further £20.1m will be removed from the 2017-18 Balance Sheet in 2017-18.

- In addition, there was a fire on 14th June at Wyke Manor Sports Hall. Its value on the Council's balance sheet at 31 March 2017 was £0.563m. The cost to the Council is the excess on the insurance policy which amounts to £0.120m.

7.0 ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement was considered by this Committee in June and is now published alongside the SOA (Appendix A).

8.0 WEST YORKSHIRE PENSION FUND

The West Yorkshire Pension Fund accounts are included in the SOA.

9.0 RECOMMENDATIONS

The 2016-17 Statement of Accounts be approved and signed by the Chair of Governance and Audit Committee.

10.0 APPENDICES

Appendix A: The latest Statement of Accounts 2016-17 as at Tuesday 19 September. A revised statement of accounts will be provided at the meeting if appropriate.

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2016-17

AND

ANNUAL GOVERNANCE STATEMENT

Contents Page

Introduction to the Council's Statement of Accounts

The Council's financial statements are set out in the pages following this foreword. They consist of the following:

1. The Narrative Report

The Director of Finance's Report summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2016-17. The money spent by the Council and where the money comes from is shown in a series of charts. There is a distinction between revenue spending (the annual cost of providing services) and capital expenditure, which has a long-term benefit for the citizens of the Bradford District.

2. Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and other reserves.

3. Comprehensive Income and Expenditure Statement

The cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in accordance with statute. The Council raises tax, and uses grants and other flows of income to cover the cost of services. The statutory financial result is shown in the Movement in Reserves Statement. This is different to the cost of services stated in accordance with generally accepted accounting practice, as shown in the Comprehensive Income and expenditure account.

4. Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council.

5. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents (short term investments of three months or less) of the Council during the reporting period.

6. Statement of Significant Accounting Policies

The Council's accounts follow International Financial Reporting Standards (IFRS) since the 2010-11 financial year.

The accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements. The accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

7. Notes to the Main Financial Statements

The notes disclose information required by the Code and information that makes the accounts easier to understand. They show the specific accounting policies and estimates used and breakdowns of figures shown in the main Financial Statements.

8. Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority (Bradford Council) in collecting Council Tax and non domestic rates and distributing it to major preceptors and the Government.

9. The Group Accounts

As the Council does not have any material interests in subsidiaries, associates and jointly controlled entities it is not required to produce a set of Group Accounts.

10. The Pension Fund Account

As the Council is the administering authority for the West Yorkshire Pension Fund, the activities of the fund are required to be reported alongside the Council's main Financial Statements.

11. Glossary of Terms

In order to help readers, a Glossary of Terms widely used in relation to local authority finance and referred to within these accounts is included at the back of the document.

12. Annual Governance Statement

The Council is required to undertake an annual review of the effectiveness of its governance framework and system of internal control. The conclusions of this review are reported alongside the accounting statements.

Notes to the Main Financial Statements

City of Bradford Metropolitan District Council's Statement of Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Strategic Director - Corporate Services.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Strategic Director - Corporate Services Responsibilities

The Strategic Director - Corporate Services 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 Strategic Director - Corporate Services has:

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

In addition he has issued:

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

The financial statements are subject to audit by the Council's external auditors.

Certification of the Statement of Accounts

I certify that this statement of accounts presents a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year then ended. I authorise for issue the 2016-17 Statement of Accounts.

Signed:

Stuart McKinnon-Evans
Strategic Director - Corporate Services
Date: 28 September 2017

Signed:

Cllr Michael Johnson
Chair of Governance and Audit Committee
Date: 28 September 2017

To insert Audit Report

The Narrative Report

Financial Highlights

Introduction

This Statement of Accounts provides comprehensive and detailed information about Bradford Council's financial results for 2016-17. This section contains the headlines, comments on the financial results and performance against the internal budget plan, and summarises how the Council's services measured up against non-financial targets for the year.

Two Financial Reporting Perspectives
The Council uses two complementary but distinct ways of reporting on financial performance, which reflect the legal and accounting environment:

- The Statement of Accounts is prepared using generally accepted accounting principles, and this approach is used in presenting most of the information in the document.
- The other reporting approach (which we call the "statutory" basis) reflects the principle that all revenue expenditure in the year has to be afforded within the money available to the Council from taxation and other sources of income.

The primary distinction between these two reporting approaches is that

- the accounting approach includes transactions such as losses on disposals of assets, changes in the valuation of assets and liabilities, depreciation and costs for untaken leave by employees in the total income and expenditure for the year, whereas the statutory basis does not.
- the accounting approach incorporates both usable reserves – which are internal funds available to support the Council's revenue and capital operations – and so-called unusable reserves, which together represent the total "taxpayer value" held in reserves. The statutory approach focuses on the usable reserves.
- the statutory basis underpins the setting of the Council's annual budget, and the internal financial management accountability and budgetary control system. It is also the basis for in-year financial reporting to the Council's Executive and other Committees.

This section sets out the financial results from these two perspectives.

Headline Financial Results in Statement of Accounts

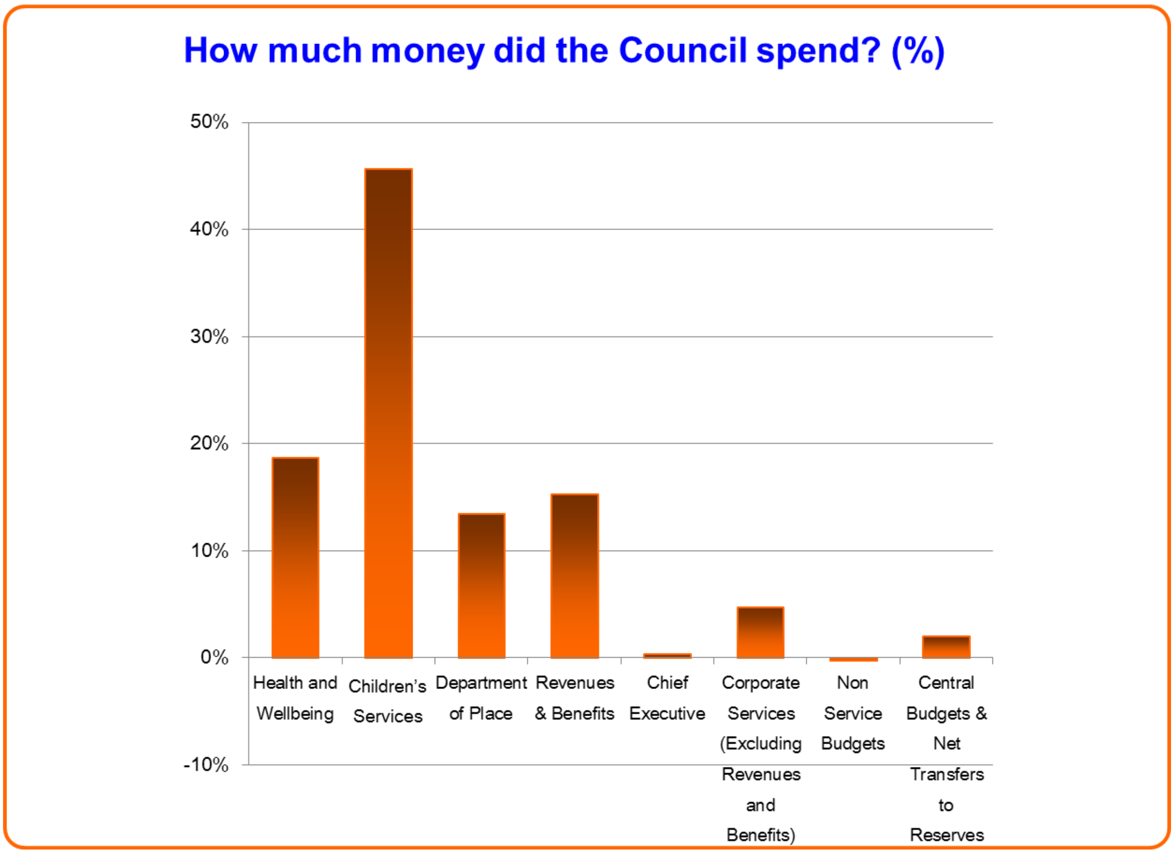
Comprehensive Income and Expenditure Statement

Gross revenue spending on services was £1.194bn, £110m less than in 2015/16, with net expenditure on services at £397m, down £57m from 2015/16. In addition to the implementation of the Council's budget reduction plan across all services, the main factors underlying these trends are:

- A £88m reduction in gross expenditure on Children's Services. £31m is due to higher reductions to the valuations of school buildings in 2015 compared to 2016. (A valuation is commissioned on all Council buildings and fluctuations in their value are shown in the Comprehensive Income and Expenditure account). £58m is because 37 schools have converted to academies which takes their expenditure outside the scope of the Council's accounts.

- A £13m reduction in gross expenditure in Corporate services, most of which is due to changes in the estimated values of the buildings used by the services.

The figure below shows the distribution of spending by service.



Sources of Income

Total income attributable to individual services was £797m, a reduction of £53m on the previous year, again, mainly reflecting academy conversions. In addition, £431m income not directly attributable to an individual service was received, down £6m on the year before, with Revenue Support Grant from Government contributing £23m of the reduction. Income from Council Tax and Business Rates (including the Top Up Grant) totalled £288m, £14m up on the previous year.

The overall financial result was adversely affected by two significant factors: first, the £127m loss to the Council's balance sheet of assets on disposal, principally school buildings on conversion to academy; and secondly an increase in the pension liability of £129.7m.

Net Financial Result

The resulting net deficit on the income and expenditure account is £249.9m, compared to £25.6m in 2015/16.

Service Performance

This section summarises impact of services financed by the expenditure, with focus on performance against the indicators of success the Council chose to measure itself against. For more detail, see the 2016/17 Finance and Performance Outturn Report presented to the Council's Executive of July 11 2017.

As mentioned previously, the Council Plan helps provide the framework for performance monitoring and reporting within the organisation and identifies 49 headline indicators to measure the Council's performance and productivity. This section provides additional detail on performance against those indicators for the year up to March 2017 with additional performance and activity data included in the Departmental commentaries in Section 3 of this report.

Depending on their data source, indicators can be reported monthly, quarterly, half yearly or annually. In some cases where validation is required the information may be for a historic period particularly information related to regional and national comparators and performance reports need to be viewed in the context of the current resource climate and looking ahead, future performance may be at risk from a range of adverse factors that vary from service to service

Of the 43 indicators that have targets, 22 are on target, 6 are within acceptable variance and 15 are below target.

Better Health, Better Lives

The Better Health Better Lives Outcome includes all services provided by Department of Health and Well Being, Children's Social Care and Sports and Leisure Services. Health and Well Being predominantly use the Adult Social Care Outcomes Framework (ASCOF) and the Public Health Outcomes Framework (PHOF) to help set priorities for care and support, measure progress and strengthen transparency and accountability.

Locally, these frameworks provide us with robust information, enabling us to monitor the success of local interventions in improving outcomes, and to identify our priorities for making improvements. They are a useful resource for our Health and Wellbeing Board which can use the information to inform strategic planning and a leadership role for local commissioning and is currently being used a crucial evidence for our new Home First Vision for Health and Well Being

Between 2015/16 and 2016/17 Bradford's Adult Social Care performance has shown an improved direction of travel in a number of areas including;

- proportion of adults with a mental health disability in paid employment has improved from 6.1% in 15/16 to 8% in 16/17, improving our regional ranking of 11 of 15.
- 73% of people receiving Adult Social Care Services say that they feel safe which is top 5 in the Region and 25th best from 152 councils with social services responsibilities.
- Our Social Care related Quality of Life score encompasses multiple ASCOF domains from questions in our Annual Adult Social Care Survey, and at 19.5 is one of the highest in the Region and 28th highest from 152 councils.
- Long-term support needs for older people met by admission to residential and nursing care homes - The best performance in Y&H and integral to the joint LA/NHS Better Care Fund
- Overall delayed transfers of care from hospital (3.4 in 15/16 down further to 3.0 in 16/17) and although performance worsened on delayed discharges directly related to social care ~~(~~from 0.2 in 15/16 to 0.6 in 16/17) this still continues to be one of the best performers both regionally and nationally i.e overall delayed discharges were improved performance and those related to social care were reduced performance
- Proportion of people who use services who feel safe has stabilised at 73% for the two year period which is currently 5th best in region and 24th out of 125 councils in national rankings
- Proportion of adults with a Learning Disability who live independently is now at 89% from 86.3% which is one of the best performers in the region

However, there are also a number of areas of under performance and where performance on the previous year is down. These include;

- Proportion of people who use the service who have control over their daily life (reduce from 79.2%, 6th in Y&H rankings to 75.1% in 16/17)
- proportion of people using services who have as much social contact as they would like was 51% in 15/16 which was the 2nd best at a Regional level and 17th best nationally, but reduced slightly to 50.3% in 16/17
- Proportion of adults using social care receiving Direct Payments, has reduced from 17.5% to 16.7% and remains comparatively poor to regional and national comparators
- The effectiveness of re-ablement services has dropped down from 88.2% to 87.8%
- Proportion of service users who can access information and advice services a shown a very slight reduction and is down from 70.8% in 15/16 to 70% in 16/17 which is still low in comparable rankings.

In Children's Specialist Services performance in Child Protection provision all indicators are showing green or amber in RAG ratings. The percentage of Child Protection reviews carried out on time is consistently achieving the 99% target and is above both regional and national comparators of 92% and 94% respectively, as are indicators relating to Child Protection Conferences being held within targeted timescales (94% in Bradford compared to regional 75% and national 79%) and the percentage of Child Protection Plans lasting two years or more at the end of the year which are both at green.

A significant area of improvement has been the percentage of Child Protection cases which were visited every four weeks which has increased from 89% against a target of 95% in 15/16 to 95.11% and is now above the 95% target.

Other areas of social care services where performance is good include participation of Looked After Children (LAC) in their reviews (96% achieved against the 91% target) and the percentage of care leavers in Employment, Education and Training (currently 83.3% against a target of 81% for 19-21 year olds and 92% against target of 90% for 16-18 year olds).

Despite showing improvement on previous year's performance an area of concern in Specialist Services continues to be the health indicators for LAC. Only 87.5% against the target of 95% had an annual health assessment compared to regional 92% and national 90% comparators and only 90% of LAC against an internal target of 95% had their teeth checked by a dentist although this is still above regional and national comparators.

Additionally LAC visits carried out within agreed timescales (86% against 95% target) and the percentage of Personal Education Plans completed for LAC, which has varied in the year against the challenging 98% target, continue to be raised as concerns at monthly performance meetings and in some cases are showing month on month improvements although still not achieving target.

Targets in the Council Plan in Public Health relate to successful completions of programmes for both drug and alcohol misuse with the aim of bringing them in line with National averages. Of the three performance indicators for these programmes, two are currently red and one is green.

- the proportion of people in drug treatment programmes for opiate substances who successfully completed treatment and did not re-present for support within 6 months, was 4.5% which is below the national average of 6.7%.
- the proportion of all people in alcohol treatment programmes who successfully completed treatment and did not re-present within 6 months was 36.6% which is slightly below the national average of 38%.
- the proportion of people in drug treatment programmes for non-opiate substances who successfully completed treatment and did not re-present for support within 6 months was 39.8% which is above the national average of 37.2%

Great Start, Good Schools

The Council Plan indicators in the priority Great Start Good Schools are primarily annual indicators related to the take up of Early Education across ages 2-4 year old and Early Years development.

The Council Plan targets are to increase the annual average of 2 year old children taking up Early Education in Bradford from 65% to the England aspirational target of 80%, 3 year old children from 90% to the England average of 93% and 4 year old children from 97% to the England average of 99%. The most recent information show that both 2 year old (71%) and 3 year old take up (93%) have increased but take up for 4 year olds has dropped to 94% which is in line with national and regional trends.

In order to be assured of the quality of provision in the Early Years sector, another key target in this outcome relates to the percentage of Children's Centres inspections which are rated good or outstanding. The target in the Council Plan is to ensure the percentage is higher than the Yorkshire and Humberside average of 70%. Bradford's performance is currently at 69% which is unlikely to change in the immediate future, with no inspections currently taking place as Ofsted are revising the inspection framework.

Other indicators in this Outcome aim to ensure that the percentage of children achieving a good level of development in Early Years Foundation Stage is in line with the national average of 69% and performance improved from 62% in 2015 to 66% last year. Additionally the percentage of Year1 pupils working at the expected standards in phonics improved by 5% to 79% in 2016, which is up from 74% in 2015 bringing Bradford closer to the national average of 81%.

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Better skills, more good jobs and a growing economy

In this outcome the number of new jobs created as a result of direct support from the Council is on track to meet the target of 155 by March 2018 with 118 being created by March 2017, the agreed timescales for processing of major planning applications is at 86% compared to the Council Plan target of 87% but is still above regional comparators, and the latest information has confirmed that the Gross Value Added is on target with that identified in the Council Plan of £9.5bn.

In total overall visitor numbers to Bradford Markets has dropped from 5.8m visitors in 2015/16 to 5.6m in 2016/17, below the Council Plan target of maintaining numbers at 5.8m. Since the beginning of the year both the Kirkgate and Keighley Markets have maintained footfall but Oastler Centre has seen a reduction in customers which can be attributed to the closure of the Morrisons supermarket at Westgate.

The total number of visits to museums is below that expected. This indicator is anticipated to be back on target when the launch/opening of Cliffe Castle Park following a major Lottery Fund project takes place in June with the consequent knock on effect on visitor numbers to Cliffe Castle museum, and the launch of two major exhibitions at Cartwright Hall along with the opening of the David Hockney exhibition in July 2017, take effect.

In terms of Housing, 184 homes have been delivered this year which is above the 2016/17 target and is therefore on track to deliver the overall target of having 750 additional affordable homes available by the end of 2017/18, as the Affordable Homes Programme will see delivery weighted to the end of the period. The number of private sector homes improved through Council intervention was 947 and therefore exceeded the 850 target in the Council Plan but the average length of stay in bed and breakfast is currently 11.8 nights which is currently above the target identified in the Council Plan of 9 and above the 2015/16 outturn figure of 9.4 nights.

Safe clean and active communities

In the Safe Clean and Active outcome the amount of kerbside recycling has increased in line with the Council Plan from 17,900 tonnes in 2015/16 to 20,200 tonnes in the current year, but the target to reduce the number of reported fly tipping incidents to below last years outturn of 8,574 has not been achieved with 9,030 incidents being reported in 2016/17. The overall percentage of missed bin collections is 0.15% which is above target of 0.13% but the trend is improving with the last quarter being reported as 0.12% and if continued will meet the Council Plan target.

The Council Plan includes targets related to people who agree that their local area is a place where people from different backgrounds can live harmoniously. When last reported in 2015/16, the figure was 62.6% which is 1.4% below the previous year and below the 65% target in the Council Plan which is the regional average. This will be re-measured in 2017/18 by the Police and Crime Commissioner survey and will be reported quarterly in the future.

A new indicator included in the Council Plan was to increase the number of people participating in community life/volunteering. This is being measured using the Citizens Panel and the recent Place Survey. 59% of respondents said they took part in volunteering activities but this figure needs treating with some caution as there was some evidence that the question was not fully understood and the Citizens Panel may represent a cohort that may be more engaged in community activities. Further work is being undertaken to ensure a more accurate representation of the indicator going forward.

As part of the drive to move services to be delivered in and by communities, and to transfer Council Assets to be managed by community organisations, a target was set to complete 30 Community Asset Transfers (CAT) by March 2018. At 31 March 2017, 29 had already been completed with the service likely to complete as many again in 2017/18.

Well Run Council

In the well run Council theme, the target to achieve the agreed specific financial savings has been underachieved with £37.8m (83%) of the targeted savings of £45.6m being delivered although overall the budget underspent by £0.3m. Despite significant targeted management action being taken, sickness is still above the 9.76 days target in the Council Plan, with the average number of days lost per employee due to sickness absence in 2016/17 at 11.33 days which is also slightly above last years outturn of 11.29 days.

The Council Plan also includes a new indicator re increasing resident's satisfaction with the Councils delivery of services by 10% by 2020. This was recently measured using the Citizens Panel and the recent Place Survey and at that time 39% of residents said they were satisfied which will now be used as a base line in determining performance for future reporting on this indicator.

The Council Plan also has specific targets regarding improving the collection rates for both Council Tax and Business Rates, 96% and 98% respectively. In 2016-17 Council Tax collection was 94% (0.2% down on 2015/16), but Business Rates collection increased in the current year to 97.1% compared to 96.9% in the previous year.

Balance Sheet

Net Worth

The Council started the year with £202m in usable reserves and an unusable reserves deficit of £244m, yielding a net negative worth of £42m. While usable reserves close £11m down at £191m, the position on unusable reserves has deteriorated further to a deficit of £483m, resulting in the Council having a negative net worth of £292m.

The main movements that make up the decrease of £250m in the Council's net worth were:

- a £125.9m decrease in long term assets
- a £10.8m increase in net current assets
- a £134.8m increase in long term liabilities

Long terms assets stand at £1,023m. The long term liabilities of £1,354m are dominated by three items:

- the pension liability of £830m. This long-term liability will be met by payment obligations estimated over more than twenty years (See below)
- the £178m contractual liabilities for schools PFI contracts. Over time these will be matched by Government funding which is not shown on the face of the balance sheet, due to the accounting rules.
- long-term borrowing from the Government's Public Works Loan Board of £322m.

Pension Liabilities

The net Pension Fund deficit comprises the estimated cost of promises by the Council to pay future pension benefits to employees less the assets set aside to fund these promises. The assets set aside typically comprise equities, bonds, cash and property. Overall, the net Pension Fund deficit increased by £130m from £700m to £830m as at 31 March 2017.

This increase of £130m was caused by an increase to the pension liabilities, of £402m, less an increase in the value of assets set aside to fund them of £272m. The increase in liabilities mainly relates to a £386m change derived from the estimation model used by the actuary to value liabilities at 31 March 2017. The increase of £272m in the assets set aside to fund them comprises a rise in asset values of £282m and other reductions of £10m. This is a long-range estimate and liability, in which the actuary takes a 20 years plus perspective of financial market performance and of the life expectancy of pension recipients.

Capital Spending

Capital Spending in 2016-17

The Council spent £61.5m in the year (£70.6m in 2015-16), and received £0.5m in donated heritage assets.

The table shows total spend by department, including some of the major schemes

Major Capital Schemes Expenditure 2016-17		
Department and Schemes	**Main Schemes**	**Total Spend**
	£000	**£000**
Health and Wellbeing		**1,337**
Children' s Services		**18,107**
Primary Schools Expansion Programme	5,358	
Capital Maintenance Grant	5,121	
Schools direct revenue funding	2,277	
Devolved Formula Capital	2,816	
Place – Economy and Development Services		**16,272**
New Affordable Housing	5,859	
Temporary Housing – Clergy House/Jermyn Court	1,487	
Disabled Housing Facilities Grant	3,681	
Leeds City Region Revolving Investment Fund	1,657	
Place – Planning, Transport and Highways		**14,608**
Capital Highways Maintenance	4,887	
Road Infrastructure works	1,155	
Flood Funding	1,651	
Place - Other		**7,137**
Replacement of Vehicles	2,003	
Cliffe Castle	1,770	
Corporate Services		**4,039**
Property Programme	3,432	
Total		**61,500**

Where the money came from to pay for the spending on capital schemes in 2016-17

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 2016-17 it fell slightly from the level in 2015-16 of £665.655m to £653.419m. The Council's medium term strategy is to reduce the cost of borrowing in line with the Council's reduction in overall spend.

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

In 2016-17 the capital spending of £61.5m was funded as follows:

- £11.9m (20%) by borrowing generating capital financing charges which will form part of future revenue spending.
- £38.8m (63%) from government and other grants.
- £4.3m (7%) from revenue contributions and other revenue reserves.

- £6.4m (10%) from capital receipts from the sale of land and buildings.
- £0.1m (0%) from other Finance Leases.

Schools

In recent years, the value of Property, Plant and Equipment shown on the Balance Sheet has been volatile due to changes in convention about how to account for education assets and the ability of the Council to control the assets and influence future service potential.

Where the Council directly owns a school or where the School Governing body own the assets or have had rights to use the assets transferred to them, the school is recognised 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 seven Foundation schools where as the ownership lies with the School/Governing Body the school is recognised on the Council's Balance sheet. The Council considers it exercises sufficient control over the school governing bodies to warrant recognition of any school where ownership is invested in the governing body.

In 2016-17 37 schools converted to Academies, 23 of which were Community Schools and as at 1 April 2016, on the Council's Balance Sheet. Four Foundation Schools and two Voluntary Controlled Schools were included on the Council's Balance Sheet as at 1 April 2016. The other eight schools (Voluntary Aided, Voluntary Controlled and Trust) were not on the Council's Balance Sheet. In addition two Academy Schools constructed by the Council and on the Council's Balance Sheet as at 1 April 2016 have during the year completed long term leases. The value of these disposals was £126.2m. The Council is not recompensed for any of these disposals. The table below categorises all Bradford schools and sets out the current accounting treatment.

Type of school	2015-16	2016-17	Accounting Treatment
Community	91	68	On Balance Sheet
Special Schools	6	6	On Balance Sheet
Foundation	13	9	2 Church of England Off Balance Sheet, 7 owned by Governing Bodies On Balance Sheet
Voluntary Aided	29	24	Off Balance sheet
Voluntary Controlled	12	10	Off Balance sheet (with the exception of 3 VC schools the Council still holds the legal title)
Academies	35	72	Off Balance sheet
Trust	5	2	Off Balance sheet
TOTAL SCHOOLS	**191**	**191**	
Nurseries	7	7	On Balance Sheet

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 39.

Significant Provisions at 31 March 2017

The provisions total £20.362m at 31 March 2017 (£22.726m at 31 March 2016) and are included in Note 20 on page 54. They are split on the Balance Sheet between short term, (up to one year from the Balance Sheet date), and long term.

The significant movements in provision balances in year were as follows:

a) The cost of planned future termination costs in 2017-18 and future years arising from the detailed saving proposals approved as part of the 2017-18 Budget has been assessed as £6.0m.

b) The provision to cover the risk of day to day insurance losses has been reduced by £0.5m to £7.4m.

c) The provision on personal property search fees is £0.1m.

d) After charging £2.3m to the Council's provision for the outcome of successful appeals against the Valuation Office's 2010 Business Rates Valuation list, a further £2.1m has been set aside for outstanding appeals. This leaves Bradford's estimated share of lost Business Rates income as a result of appeals at 31 March 2017 at £5.8m.

Usable Reserves

Usable reserves total £191m at 31 March 2017, falling broadly into £166m reserves owned by the Council and £25m owned by community schools.

Council Reserves

The Council's policy is to earmark its reserves to fund one-off or transitional activity while reducing its recurrent cost base, to hold some reserves unallocated to support future budgets, to allocate some reserves for capital expenditure, and to hold some reserves as contingency.

£98m of earmarked reserves are set aside for future revenue and capital commitments.

£14m of unallocated reserves available to support future budget decisions, a very small financial cushion in the context of the very significant fiscal challenge ahead.

The Council has a General Fund balance of £11m, which is an operational contingency representing less than 1% of gross revenue spending.

£43m revenue and capital grants are held pending being spent on their specified purposes.

A detailed analysis of all the Reserves held by the Council is set out in Note 5, Page 43.

School Reserves

The balances of £25.2m comprise £9.6m held by schools and £15.6m held centrally for school contingencies. Of the £15.6m for school contingencies, £5.9m has been used straight away to fund the 2017-18 budget and £5.1m relates to schools that have converted to academies where the authority is in the process of transferring final balances to the new academies.

Unusable Reserves

Unusable reserves represent positive or negative value owned by taxpayers. They cannot be used to support operational revenue and capital activity, and are typically related to long-term assets and liabilities in the balance sheet. They stood at £483m deficit at the year end, and their key components are:

- £160m revaluation reserve, which arises because of upward changes in the value of balance sheet assets. This value can only be realised if assets are disposed
- £210m capital adjustment account, which reflects the timing differences between how assets are financed, and how they are charged for under accounting arrangements. This value will be released as those differences are eroded over the life of the individual assets.
- The Pensions reserve of £830m deficit, which mirrors the Pension Fund liability described above. It alone causes the unusable reserves in total to be in deficit.

Taxation

Council Tax

At 31 March 2017 the Council had collected 94.5% of the value of council tax bills for the year, (compared to 94.3% exactly at the same point last year).

After distributing in 2016-17 the opening surplus balance on the Council Tax Collection Fund, £3.1m, the Council Tax element of the Collection Fund ended the year £2.1m in credit. A surplus of £1.8m, Bradford's 85% share, is reported in the accounting statements.

Bradford's £1.8m surplus is just £0.2m less than the budgeted surplus that will be redistributed in 2017-18.

Business rates

As at 31 March 2017, the Council had collected 97.01%, compared to 96.9% at the same time last year.

Business Rates collected by Bradford Council are shared between itself, central government and the West Yorkshire Integrated Fire Authority. Any difference between what the Council forecast it would raise in Business Rates in 2016-17 (£128.5m) and what it has actually raised results in either a surplus or deficit on the Collection Fund.

A deficit of £11.9m was outturned, Bradford's share being £5.8m. A reason for the deficit was the impact of appeals against rateable values. Successful appeals require the Council to refund business rates for 2016-17 and in many cases prior years.

This deficit on the Business Rates Collection Fund was fully forecast when the 2017-18 budget was set. As a result, the deficit has already been budgeted for and there will be no additional pressure in future years.

Financial Performance and Budgetary Control

This section of the report explains financial performance from the statutory reporting perspective, which reflects the internal budgetary control accountabilities. A more comprehensive assessment of departmental spending is contained in the 2016/17 Finance and Performance Outturn Report presented to the Council's Executive of July 11 2017.

The Council underspent the approved net budget of £378m (£1.407bn gross expenditure), by £0.3m in line with previous forecasts. Despite the overall underspend, there are however a number of significant departmental budget variances.

In the tables below, we show the planned and budgeted results from two perspectives.

Table 1a shows spending by Department, reflecting the Council's internal management accountabilities. Budgets are allocated to Directors who are accountable for their departmental expenditure.

1a: Budgeted and Actual Expenditure and Income (Department)

	Gross expenditure			Income			**Net expenditure**		
	Actual £m	Budget £m	Variance £m	Actual £m	Budget £m	Variance £m	Actual £m	Budget £m	Variance £m
Services to the public & businesses									
Health and Wellbeing	225.8	220.9	4.9	-98.3	-96.3	-2.0	127.4	124.6	2.9
Children's Services	552.2	544.0	8.2	-458.0	-453.3	-4.7	94.2	90.7	3.5
Department of Place	171.1	164.7	6.3	-65.4	-57.7	-7.7	105.6	107.0	-1.3
Revenues & Benefits	182.6	179.2	3.4	-179.0	-175.0	-4.0	3.6	4.2	-0.6
Total services to the public & businesses	1,131.6	1,108.8	22.8	-800.8	-782.4	-18.4	330.8	326.4	4.4
Support services and non service									
Chief Executive	4.7	4.9	-0.2	-0.1	-0.1	0.0	4.6	4.8	-0.2
Corporate Services (Excluding Revenues & Benefits)	82.6	85.7	-3.1	-45.1	-44.2	-0.9	37.6	41.5	-4.0
Non Service Budgets	127.6	128.8	-1.2	-45.3	-45.2	-0.1	82.3	83.6	-1.3
Total support services and non service	214.9	219.4	-4.5	-90.5	-89.5	-1.0	124.4	129.9	-5.4
Central Budgets & Net Transfers To Reserves*	74.8	79.0	-4.2	-152.3	-157.2	4.9	-77.5	-78.2	0.7
Total Council Spend	1,421.3	1,407.2	14.1	-1,043.6	-1,029.1	-14.5	377.7	378.0	-0.3

**Includes £2.8m of deferred expenditure*

Table 1b shows spending by outcome to mirror the ambitions set out in the Council Plan. In spending their budgets, Directors undertake activities which help achieve outcomes. Typically a number of activities undertaken by different departments contribute to realising an outcome.

Table 1b: Budgeted and Actual Expenditure and Income (Council Plan)

	Gross expenditure			Income			Net expenditure		
	Actual £m	Budget £m	Variance £m	Actual £m	Budget £m	Variance £m	Actual £m	Budget £m	Variance £m
Council Plan Outcomes									
Better Health Better Lives	462.8	447.8	15.0	-267.4	-260.3	-7.0	195.4	187.4	8.0
Better Skills, More Good Jobs And A Growing Economy	126.7	121.0	5.7	-57.0	-49.6	-7.4	69.7	71.4	-1.7
Safe, Clean And Active Communities	73.9	74.6	-0.7	-22.7	-22.4	-0.3	51.2	52.3	-1.0
A Great Start And Good Schools For All Our Children	489.9	488.2	1.7	-461.3	-458.5	-2.9	28.6	29.8	-1.2
Decent Homes That People Can Afford To Live In	11.2	11.0	0.3	-5.5	-5.1	-0.4	5.8	5.9	-0.1
A Well Run Council	205.8	209.4	-3.6	-77.1	-75.7	-1.4	128.7	133.7	-5.0
Non Service, Fixed and Unallocated	50.9	55.1	-4.2	-152.6	-157.5	4.9	-101.7	-102.4	0.7
Total Council Spend	**1,421.3**	**1,407.2**	**14.1**	**-1,043.6**	**-1,029.1**	**-14.5**	**377.7**	**378.0**	**-0.3**

**Includes £2.8m of deferred expenditure*

Service budgets and actuals include year end accounting adjustments for depreciation, impairment and pensions. They also include Facilities Management costs and budgets (utilities and repairs) which during the year are managed and controlled within Corporate Services. These affect Service's budgets and actual spend but have nil impact on the final service variances.

Source: The Council's ledger (SAP) as at 31 March 2017

The tables show that in aggregate the Council controlled spending within the overall net budget of £378m. However, there are significant variances from plan within that total.

- Children's Services overspent the £90.7m net expenditure budget (£544m Gross budget) by £3.5m.The overspend was largely attributable to;
  - Increases in the overall numbers of Looked after Children and Children in Permanent arrangements impacting on the cost of Purchased Placements (£1.9m overspend) and Fees and Allowances (£1.3m overspend).
  - The increases in the numbers of Looked After Children consequently resulted in not achieving the budget saving plan to reduce the number of Looked after Children causing a further £0.8m overspend.
  - Increases in the numbers of Looked After Children also resulted in the underachievement of a £0.6m budget savings plan to reduce the remaining number of Looked after Children in typically more expensive external purchased placements by placing them in in-house care.
- The overspend in Children's Social Care services is underpinned by a 9% increase in children coming into care. This rise is 23% nationally. Benchmarking data shows that Bradford has 61 Looked after Children per 10,000 Children 0 to 17 years, compared with a national average of 65 and statistical neighbour average of 74 per 10,000 Children 0 to 17 years.

- The Department of Health and Wellbeing (formerly Adult Services and Public Health) overspent the £124.6m net expenditure budget by £2.9m. The overspend was caused mainly by a £3.7m overspend within Adult Services comprising £3.9m on Purchased Care; a £1.2m underachievement of service user income, a £0.3m recurrent overspend on the BACES equipment service, £0.4m overspend on No Recourse to Public Funds, £0.3m on Deprivation of Liberty Safeguards (DOLS), offset by underspends of across the department.

- The overspends in Adults and Children's Social Care services linked to high demand outlined above were more than offset by underspends in other departments.

- Taking the outcome perspective (Table 1b), there was significant financial overshoot of £8m on Better Health Better Lives – and this reflect the nationally recognised concern of how to contain the costs of social care across all age groups. Conversely, the Well Run Council outcomes were associated with an underspend of £5m, with smaller underspends showing against the other outcome lines.

Financial Health of the Council

From the perspective of budgetary control, the Council performed well during 2016/17, delivering a small underspend against its approved plan. This was a good result against the backdrop of having delivered £173m savings between when austerity began in 2010 and the start of the year. Within that result, there were signals that it is difficult to contain the costs of social care for people of all ages, with the story of rising demand driven by demographic changes against constantly declining resources being true not only for Bradford by most Councils across England. The Council's strong track record in delivering savings is a source of confidence, but the task remains of reconciling the expectation of citizens and clients, the requirement of the statutory framework we work in, and the available resources.

Overall the balance sheet weakened, mirroring a significant loss of assets, particularly as schools convert to academies, and the further increase in the pension liability. In fact, the pension liability is ***the*** dominant factor in the balance sheet in aggregate, but it should be seen in the context of a 20 years plus outlook. While cash and cash equivalents fell from £74m to £57m, the Council's working capital remains acceptable. Long-term borrowing increased to £322m (reflecting the first new loans taken out by the Council in December 2016, though interest rates on new loans are historically low, and the financing costs remain in tune with its Medium Term Financial Strategy.

2017/18 and Beyond

The Council's four year plan is underpinned by a financial plan that requires continuing reductions in the real cost of services, reflecting the decline and likely eventual disappearance of central Government Revenue Support Grant by 2020/21. This financial plan requires stringent and consistent cost control, which in the first half of 2017/18 continues to prove particularly challenging in respect of reducing the demand for and cost of social care for people of all ages. Alongside cost control, the Council's long-term financial health will depend on the buoyancy of the Council Tax and Business Rate yields. Our strategic priorities of improving transport connectivity and raising educational achievement, which underpin many of the Council's desired outcomes, are key factors in creating more and better jobs. They are also pivotal to the longer term prosperity of the Council. Our capacity to pursue these growth and prosperity goals is, in turn, dependant on our ability to manage the costs of social care. More generally, economic fortunes will be affected by Brexit, with direct and indirect impact on our tax bases and demand for services. The future of social care – how it should be financed and organised, and how it works alongside health care – must now be a burning concern for central government, with consequences for local government's financial prospects. The outcome of these factors in the Council's financial environment are unpredictable so in the short to medium term the primary financial challenges remain cost control, income growth where practicable, and prudent reserves management.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that are real cash) and other non cash reserves. The closing 31 March 2017 General Fund Balance of £36.020m comprises £10.803m (£10.803m in 2015-16) balances generally available to the Council and £25.217m (£33.803m in 2015-16) cash balances held on behalf of schools under the Local Management Scheme.

The deficit on the Provision of Services line of £150.476m (deficit of £85.336m in 2015-16) within the Income and Expenditure account is reversed out of usable reserves into unusable reserves. This is because by statute many of the accounting transactions making up the deficit cannot be charged against the General Fund Account. Unusable reserves have reduced by £238.921m (reduction of £9.922m in 2015-16).

			General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
			Note 4	Note 4	Note 4	Note 4	Note 4 & Balance Sheet	Note 21 & Balance Sheet	Note 21 & Balance Sheet
			a	b	c	D	e	f	G
							(a+b+c+d)		(e+f)
			£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015	i	**a+h**	**49,159**	**134,993**	**1,770**	**32,077**	**217,999**	**-234,520**	**-16,521**
Movement in reserves during 2015-16									
Surplus/ (deficit) on provision of services (page 22)	j		-85,336	0	0	0	-85,336	0	-85,336
Other Comprehensive Income and Expenditure (page 22)	k		0	0	0	0	0	59,703	59,703
Total Comprehensive Income and Expenditure (page 22)	l	**J+k**	**-85,336**	**0**	**0**	**0**	**-85,336**	**59,703**	**-25,633**
Adjustments between accounting basis & funding basis under regulations (note 4)	m		68,968	0	3,078	-2,421	69,625	-69,625	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	n	**l+m**	**-16,368**	**0**	**3,078**	**-2,421**	**-15,711**	**-9,922**	**-25,633**
Transfers to/from Earmarked Reserves (Note 5, p43)	o		11,815	-11,815	0	0	0	0	0
Increase/Decrease(-) in 2015-16	p	n+o	**-4,553**	**-11,815**	**3,078**	**-2,421**	**-15,711**	**-9,922**	**-25,633**
Balance at 31 March 2016	q	i+p	**44,606**	**123,178**	**4,848**	**29,656**	**202,288**	**-244,442**	**-42,154**
Movement in reserves during 2016-17									
Surplus/ (deficit) on provision of services (page 22)	j		-150,476				-150,476		-150,476
Other Comprehensive Income and Expenditure (page 22)	k		0					-99,416	-99,416
Total Comprehensive Income and Expenditure (page 22)	l	**J+k**	**-150,476**				**-150,476**	**-99,416**	**-249,892**
Adjustments between accounting basis & funding basis under regulations (note 4)	m		135,734		-1,182	4,953	139,505	-139,505	0
Net Increase/Decrease (-)before transfers to Earmarked Reserves	n	**l+m**	**-14,742**		**-1,182**	**4,953**	**-10,971**	**-238,921**	**-249,892**
Transfers to/from Earmarked Reserves (Note 5, p43)	o		6,156	-6,156	0	0	0	0	0
Increase/Decrease(-) in 2016-17	p	n+o	**-8,586**	**-6,156**	**-1,182**	**4,953**	**-10,971**	**-238,921**	**-249,892**
Balance at 31 March 2017	q	i+p	**36,020**	**117,022**	**3,666**	**34,609**	**191,317**	**-483,363**	**-292,046**

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.

2015-16	2015-16	2015-16		2016-17	2016-17	2016-17
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
Restated	**Restated**	**Restated**				
£000	**£000**	**£000**		**£000**	**£000**	**£000**
223,030	-96,824	126,206	Health and Wellbeing	223,540	-96,924	126,616
633,553	-511,504	122,049	Children's Services	545,347	-454,654	90,693
158,744	-49,600	109,144	Department of Place	160,439	-55,252	105,187
188,133	-182,379	5,754	Revenues & Benefits	182,561	-178,760	3,801
5,074	-121	4,953	Chief Executive	4,715	-100	4,615
69,351	-8,189	61,162	Corporate Services (Excluding Revenues and Benefits)	56,536	-9,669	46,867
2,864	-1,436	1,428	Non Service Budgets	-2,692	-1,821	-4,513
23,916	135	24,051	Central Budgets & Net Transfers to Reserves	23,981	135	24,116
1,304,665	**-849,918**	**454,747**	**Cost of services**	**1,194,427**	**-797,045**	**397,382**
		6,514	Other Operating Expenditure (Note 8a)			128,627
		60,955	Financing and Investment income and expenditure (Note 8b)			55,060
		-436,880	Taxation and non-specific grant income (Note 8c)			-430,593
		85,336	**Surplus (-) /Deficit on Provision of Services**			**150,476**
		8,743	Surplus (-)/Deficit on revaluation of non current assets			-4,580
		-68,446	Re-measurements of the net defined benefit liability			103,996
		-59,703	**Other Comprehensive Income and Expenditure**			**99,416**
		25,633	**Total Comprehensive Income and Expenditure**			**249,892**

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Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, which represent real cash available to the Council to provide services. The Council must maintain a prudent level of these reserves for unexpected events. The second category of reserves does not represent real cash. It includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2016		31 March 2017	*Notes*
£000		**£000**	
1,063,943	Property, Plant and Equipment	935,181	*Note 9*
36,261	Heritage Assets	36,867	*Note 12*
45,734	Investment Property	48,604	*Note 13*
1,460	Intangible assets	785	*Note 14*
1	Long term investment	1	*Note 16*
1,433	Long term debtors	1,484	*Note 17*
1,148,832	**Long Term Assets**	**1,022,922**	
7,238	Short Term Investments	21,025	*Note 18*
652	Assets Held for sale	491	*Note 19*
2,237	Inventories	1,909	*Note 18*
77,070	Short Term Debtors	74,560	*Note 18*
74,038	Cash and Cash Equivalents	56,253	*Note 18*
161,235	**Current assets**	**154,238**	
-3,523	Cash and Cash Equivalents (Overdraft)	-7,042	*Note 18*
-29,486	Short term borrowing	-13,623	*Note 18*
-91,032	Short Term Creditors	-85,123	*Note 18*
-9,383	Provisions	-9,791	*Note 20*
-133,424	**Current Liabilities**	**-115,579**	
-13,343	Provisions	-10,571	*Note 20*
-306,127	Long term borrowing	-322,409	*Note 47c*
-891,280	Other Long Term liabilities	-1,012,286	*Note 39*
-8,047	Capital Grants Receipts in Advance	-8,361	*Note 45*
-1,218,797	**Long Term Liabilities**	**-1,353,627**	
-42,154	**Net Liabilities**	**-292,046**	
-202,288	Usable Reserves	-191,317	*Note 5*
244,442	Unusable Reserves	483,363	*Note 21*
42,154	**Total Reserves**	**292,046**	

The total assets less liabilities of the Council are financed by movements in reserves. There was a reduction in total reserves of £249.892m from a deficit of £42.154m at 31 March 2016 to a deficit of £292.046m at 31 March 2017.

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.

2015-16		2016-17
£000		£000
85,336	Net (surplus) or deficit on the provision of services (Comprehensive Income and Expenditure Statement page 22)	150,476
-178,358	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22 d)	-232,423
44,640	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 22 d)	43,970
35,537	Interest and dividends received and paid ((Note 22 d)	37,186
-12,845	**Net cash flows from Operating Activities (Note 22 a)**	**-791**
-30,701	Investing Activities (Note 22 b)	19,900
67,988	Financing Activities (Note 22 c)	2,195
24,442	**Net (increase) or decrease in cash and cash equivalents**	**21,304**
	Balance Sheet Movement	
94,957	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet page 23: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	70,515
70,515	Cash and cash equivalents at the end of the reporting period (Note 18, page 52) (Balance Sheet page 23: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	49,211
24,442	**Net (increase) or decrease in cash and cash equivalents**	**21,304**

Note 1. Statement of Significant Accounting Policies

The following notes are provided to give more detailed analysis in support of the main financial statements. They include all the information authorities are required to disclose except that for this Council the following disclosure requirements are not relevant for the 2016-17 Statement of Accounts:

- Schemes under the Transport Act 2000 (road user charging and workplace parking levy schemes): The Council has not entered into any such activities.
- Business Improvement District (BID) schemes: No such schemes have been established by the Council.
- Changes in depreciation method: There has been no change to the way fixed assets are depreciated.
- Changes in the basis of amortisation of intangibles: There has been no change to the way in which intangible assets are amortised.
- Analysis of net assets used by General Fund services, Housing Revenue Account (HRA) Services and trading services: The Council has no HRA and none of its trading services uses a material level of the overall net assets.

The accounts have been prepared in accordance with:

- The Accounts and Audit Regulations 2015.
- The Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as adopted and adapted by the Code.

Fundamental Accounting Principles

Where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

Consistent accounting policies have been applied both within the year and between years unless otherwise identified.

The accounts have been prepared on a going concern basis and reflect the reality or substance of the transactions and activities underlying them, rather than their formal character.

The financial statements give a true and fair presentation of the financial position, financial performance and cash flows of the Council.

Balances and transactions are recognised gross rather than netted off each other.

Comparative information is disclosed in respect of the previous period for all amounts reported in the current period's financial statements.

The concept of materiality has been used such that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided in aggregate they would not affect the interpretation of the accounts.

Where estimation techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Council's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is disclosed separately.

i. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

There are a small number of exceptions to the accruals concept:

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.

ii. Cash and Cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, but in the balance sheet these are shown gross.

iii. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non – Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, in accordance with the Prudential Code. This requires that the Council sets the annual contribution at a prudent level, so that the contribution pays broadly for the benefit in each year of the capital expenditure in proportion to the overall borrowing required. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP (Minimum Revenue Provision) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, leased cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made using appropriate sampling techniques for the estimated cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged out to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment (before the normal retirement date) or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to individual Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or is making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the actual amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Local Government Pensions Scheme, administered by Bradford Council on behalf of the West Yorkshire Pension Fund.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

Both schemes provide defined benefits to Members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and any other relevant factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond. The discount rate adopted by the Actuary is based on a weighted average of "spot yield" on AA rated corporate bonds.
- The assets of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet (netted from the overall pension liability) at their fair value:

    - quoted securities – current bid price.
    - unquoted securities – professional estimate.
    - unitised securities – current bid price.
    - property – market value.

The change in the net pensions liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- 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.
- Contributions paid to the West Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Additional pension costs such as early retirement costs, for which the WYPF recharge the Council direct, have been included in the liabilities and contributions in line with International Accounting Standard (IAS) 19 R.

All defined benefits awarded to employees are recognised in the pension liability, and an actuarial calculation of the liabilities in respect of the compensatory added years benefits awarded to teachers has been obtained and included within the overall pension liability.

The difference between the value of the pension fund assets calculated by the actuary and the present value of scheme liabilities is shown in Note 21d relating to the Pension Reserve, see page 58.

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 2016-17 figures are based on actual take-up levels up to 31 March 2017.

Teachers' Pensions

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These benefits are fully accrued in the pension liability.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, trade payables, lending, trade receivables, investments and bank deposits of the Council.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They can be classified either as *financial liabilities at amortised cost* or as *financial liabilities through profit and loss*.

Those classified as *financial liabilities at amortised cost* are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy to spread the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, or ten years (if shorter). The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:
- Loans and receivables – assets that have fixed or determinable payments but are not quoted in active market.
- Available-for-sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where a council has assets which are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Financial Assets

Available-for-sale financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.
- Equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where there is a gain or loss in fair value on Available for Sale Financial Assets, this change is shown separately within Other Comprehensive Income and Expenditure in the Income and Expenditure Account, under the heading "Gains and Losses reclassifiable into the Surplus or Deficit on the Provision of Service". Changes in fair value on Available for Sale Financial Assets can be subsequently recognised in the Surplus or Deficit on Provision of Service on derecognition.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

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

ix. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Where grants can be treated as revenue or capital, they will in the first instance be treated as revenue grants, with the expectation that the grants are credited to the Comprehensive Income and Expenditure account and then transferred to a grant earmarked reserve. There is an expectation that the grants will be credited in full into the Comprehensive Income and Expenditure statement because where grants can be used either for a capital or revenue purpose, it is likely that the Council has met the conditions of the grant. In the unlikely event that the conditions have not been met, the grant will be treated as a receipt in advance and carried forward into the next financial year as a liability on the balance sheet.

Some grants credited to the grant earmarked reserves will be used for a capital purpose. In these instances, they will be transferred directly to the Capital Adjustment Account via the Movement in Reserves Statement as an adjustment between accounting basis and funding basis under regulations. This will have no impact on the net assets of the Council.

Prior to the implementation of the above policy, some grants may have been credited to the capital grants unapplied reserve when they can be used for either a revenue or capital purpose. Where this has happened and grants have previously been credited to the capital grants unapplied reserve but are then identified as resourcing for a revenue purpose within the rules of the grants, they will be transferred directly via the Movement in Reserves from the capital grants unapplied reserve and into the grant earmarked reserve.

xi. Heritage Assets

The Council's Heritage Assets are assets that are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured including treatment of revaluation gains and losses in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where it is practicable to obtain a valuation, heritage assets are held at current value. Valuation methods used by the authority include professional valuations and insurance valuations. The Council has recognised the major pieces of its museum collection on the Balance Sheet on the basis of the lower valuation completed by an external valuer. Civic regalia has been included using as its base the detailed insurance valuations (which are based on market values provided by an external valuer in 2010) held by the Council in respect of the collection.

Where a current valuation is not practicable at a reasonable cost, heritage assets are held at historic cost, if this is known. If neither current valuation nor historic cost is available then heritage assets are not recognised on the balance sheet. The 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.

In 2013-14, the accounting policy for one category of Heritage Assets changed, so that items in Museum collections are only included in the balance sheet, where an independent valuation is available.

The Council is unlikely to be able to recognise the majority of the ceramics, porcelain work, figurines, pottery, machinery, ephemera, photography, biological and geological records and specimens, books and manuscripts in future financial statements. This is due to the fact that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

The Council discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

Heritage assets are assumed to be held in perpetuity, and are therefore not depreciated. However, heritage assets are reviewed for impairment in the same way as any other tangible or intangible assets.

The Council has had a number of items kindly donated over the years, but it has insufficient information as to what the value would have been when they were donated. The Council has therefore not recognised any of these assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010, although their current value might be included as Long Term Assets on the Balance Sheet.

Some assets are also classified as operational heritage assets where they are in addition to being held in trust for future generations, also used by the Council for other activities and services. In such cases, the assets are classified, valued and depreciated in accordance with their general type, for instance buildings.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences), is capitalised, when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of Council websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Interests in Companies and Other Entities

The Council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements which would require it to prepare group accounts.

The Council has financial relationships with a number of subsidiary and associated companies, in the main to manage the Building Schools for the Future (BSF) programme. None of them are material in size or nature. They are shown in the notes to the main financial statements and have been treated according to IAS 27 and IAS 28 (Associates).

xiv. Inventories and Long term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. 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.

xvi. Joint Arrangements

Joint arrangements are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Joint arrangements may also mean items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint arrangement does not involve the establishment of a separate entity. The Council accounts for only its share of the joint arrangements, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint arrangement and income that it earns from the arrangement.

xvii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use assets in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received).
- finance charge (debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Operating leases

Where the Council does not have the risks and rewards of ownership, the rental income is shown in the Income and Expenditure account as an expense of the Services benefiting from the use of the leased property, plant and equipment.

The Council as Lessor

Finance Leases

Where the Council grants a lease on one of its assets, a finance lease exists where the economic reality is a sale. This is usually when the minimum lease payments approximate to the value of the asset. The accounting treatment is that the related asset is removed from the balance sheet as a disposal and the lease payments separated into deferred capital receipts and interest income.

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future lease rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above the de minimis level of £10,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the costs of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).
- Community assets – the Council values community assets at current value, with the exception of one asset, which is valued (£20.40m) at historical cost.
- Surplus assets – fair value, estimated at highest and best use, determind from the perspective of market participants.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value.

Where non-property assets (Vehicles, Plant, Furniture and Equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Component Accounting

The Council's accounting policy from 1 April 2010 onwards is to apply component accounting to all assets being revalued, enhanced or acquired, with a net book value excluding land of £1m or more. Separate components will only be identified where their value is a minimum of 20% of the cost of the asset, and have a different life to other components of the asset. The main component classes to be separately valued will be the structure, plant and equipment, and 'other' to include unusual or one-off components. Where an existing asset is revalued into separate components, the actual or estimated value of the separate components will have to be derecognised. If the original cost is not known, the Council's Asset Management service will use an appropriate index to calculate the net current value of the relevant component.

The Council is also following the Code of 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, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

Where an impaired loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all Property, Plant and Equipment assets by the systemic allocation of their depreciable amounts. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment –depreciated over 3 to 7 years as appropriate.
- Infrastructure – straight-line allocation over 30 years.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets are not depreciated in their year of acquisition. Revalued assets do not have their useful economic life (UEL) or depreciation charges amended until the year following the revaluation.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same place in the Comprehensive Income and Expenditure Statement and accounted for as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow), in the Capital Financing Requirement Statement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against 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.

xix. 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.

xx. 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.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. These reserves are classed as usable reserves and itemised in Note 5 on page 43.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These reserves are classed as unusable reserves and explained in Note 21 on page 56.

xxii 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.

xxiii. 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.

xxiv. 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.

xxv. Council Tax and National Non Domestic Rates (NNDR)

In the Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. The Code requires that only the Council's share of income and expenditure and Balance Sheet items are included in the financial statements.

The Council acts as an agent in collecting National Non Domestic Rates (NNDR) on behalf of the government, but also retains a 49% share of NNDR received. The budgeted, rather than actual, total of the 49% share of NNDR attributable to the Council is recognised in the Comprehensive Income and Expenditure Statement. The difference between the budgeted 49% share and the actual amount received is transferred to the Collection Fund Adjustment Account and credited or debited to the Comprehensive Income and Expenditure Statement in future years.

As part of directly receiving a share of NNDR rates, the Council will also incur a share of the loss for repayments arising from appeals against NNDR valuations, which can be backdated to years prior to 1 April 2013. The Council has taken up a right allowed by statute to charge this cost to the Comprehensive Income and Expenditure Statement over a period of 5 years, starting in 2015-16.

xxvi. Acquired and Discontinued Operations

Where the Council, has acquired material operations, or discontinued operations, further details will be provided. In general, the acquired or discontinued operations will also be shown separately in the Comprehensive Income and Expenditure Account.

XXVii. 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

The "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 required the Comprehensive Income and Expenditure to be presented in the Council's reporting format, rather than a standard format. The 2015-16 Comprehensive Income and Expenditure Account has been restated so that it is also presented in the Council's reporting format. Where relevant and for the same reason, disclosure notes for the 2015-16 Comprehensive Income and Expenditure Account have also been restated – namely the Financing and Investment Note and the Trading Services Note. These restatements are changes in presentation only, rather than caused by errors.

2015-16	2015-16	2015-16		2015-16	2015-16	2015-16	2015-16	2015-16	2015-16
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure Restated	Gross Income Restated	Net Expenditure Restated	Gross Expenditure Increase / (Decrease)	Gross Income Increase / (Decrease)	Net Expenditure Increase / (Decrease)
£000	£000	£000		£000	£000	£000	£000	£000	£000
6,940	-5,422	1,518	Central Services to the Public				-6,940	5,422	-1,518
34,613	-13,347	21,266	Planning and Development Services				-34,613	13,347	-21,266
46,523	-17,546	28,977	Cultural and Related Services				-46,523	17,546	-28,977
55,251	-11,470	43,781	Environmental and Regulatory Services				-55,251	11,470	-43,781
666,448	-516,278	150,170	Education & Children's Services				-666,448	516,278	-150,170
56,536	-9,181	47,355	Highways & Transport Services				-56,536	9,181	-47,355
202,567	-179,890	22,677	Housing Services				-202,567	179,890	-22,677
179,933	-55,681	124,252	Adult Social Care				-179,933	55,681	-124,252
8,927	-182	8,745	Corporate & Democratic Core				-8,927	182	-8,745
42,628	-41,792	836	Public Health				-42,628	41,792	-836
3,613	-133	3,480	Non Distributed Costs				-3,613	133	-3,480
			Health and Wellbeing	223,030	-96,824	126,206	223,030	-96,824	126,206
			Children's Services	633,553	-511,504	122,049	633,553	-511,504	122,049
			Department of Place	158,744	-49,600	109,144	158,744	-49,600	109,144
			Revenues & Benefits	188,133	-182,379	5,754	188,133	-182,379	5,754
			Chief Executive	5,074	-121	4,953	5,074	-121	4,953
			Corporate Services (Excluding Revenues and Benefits)	69,351	-8,189	61,162	69,351	-8,189	61,162
			Non Service Budgets	2,864	-1,436	1,428	2,864	-1,436	1,428
			Central Budgets & Net Transfers to Reserves	23,916	135	24,051	23,916	135	24,051
1,303,979	**-850,922**	**453,057**	**Cost of services**	**1,304,665**	**-849,918**	**454,747**	**686**	**1,004**	**1,690**
		6,514	Other Operating Expenditure (Note 8a)			6,514			0
		62,645	Financing and Investment income and expenditure (Note 8b)			60,955			-1,690
		-436,880	Taxation and non-specific grant income (Note 8c)			-436,880			0
		85,336	**Surplus (-) /Deficit on Provision of Services**			**85,336**			**0**
		8,743	Surplus (-)/Deficit on revaluation of non current assets			8,743			0
		-68,446	Re-measurements of the net defined benefit liability			-68,446			0
		-59,703	**Other Comprehensive Income and Expenditure**			**-59,703**			**0**
		25,633	**Total Comprehensive Income and Expenditure**			**25,633**			**0**

The Financing and Investment Note 13, p50 Statement was restated for "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17, see the the table below:

2015-16 £000		2015-16 £000 Restated	2015-16 £000 Change
-2,302	Rental income from investment property	-2,302	0
-58	Other income (service and other charges)	-58	0
	Direct operating expenses:		
275	Repairs & maintenance	275	0
539	Management expenses	190	-349
-1,546	**Net (gain)**	**-1,895**	**-349**

Financing and Investment Income and Expenditure

Note 8, p45 was restated for "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17, see the table below:

2015-16 £000	Financing and Investment Income and Expenditure	2015-16 Restated £000	2015-16 Decrease £000
39,043	Interest payable and similar charges (see table b2 below)	39,043	0
22,626	Net Interest on the Pension net defined benefit liability/(asset)	22,626	0
-683	Interest receivable and other income	-683	0
-216	Income and expenditure in relation to investment properties and changes in their fair value	-565	-349
-698	Other investment income	-698	0
2,573	Net Deficit on Trading Accounts	335	-2,238
62,645	**Total**	**60,058**	**-2,587**

The Trading Services Note 25, p66, was restated for a change in accounting standards, see the the table below:

Trading Services Surplus (-) / Deficit

2015-16 Surplus (-) /Deficit £000		2015-16 Surplus (-) /Deficit £000 Restated	2015-16 Surplus (-) /Deficit £000 Increase
1,342	School & welfare catering	-384	-1,726
296	Other catering	164	-132
935	Building cleaning	1,452	517
2,573	**Total**	**1,232**	**-1,341**

Trading Services Included in Net Cost of Services

2015-16 Surplus (-) /Deficit £000		2015-16 Surplus (-) /Deficit £000 Restated	2015-16 Surplus (-) /Deficit £000 Increase
228	Markets	-247	-475
-4,309	Car parks	-4,425	-116
-168	Trade refuse	-208	-40
-4,249	**Total**	**-4,880**	**-631**

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

Accounting Standards Issued, not yet adopted

IFRS 9 Financial instruments: this new standard replaces IAS 39 from 2018/19 and changes the approach to financial assets and accounting for impairments; its impact is unlikely to be material

IFRS 15 Revenue from contracts: this new standard replaces IAS 18 from 2018/19 and aims to standardise practices around recognition of revenue from contracts; its impact is unlikely to be material

IFRS 16 Leases: this new standard replaces IAS 17 from 2019/20 and establishes a new model for lessees; its impact may be material given the value of the Council's leases

Critical Judgements in applying Accounting Policies

The Council has made judgements about different transactions and the uncertainty of future events. The critical judgements made in the Statement of Accounts are:

The Council has judged whether its leases are operating or finance leases. These judgements are based on a number of tests, which determine, regardless of the legal form, whether the economic reality of the lease arrangement is that the Council has purchased the asset on credit. The most common test to determine whether this is the economic reality is that the lease arrangement lasts for most of the life of the asset. The accounting treatment of operating and finance leases is different and impact on the main accounting statements.

The Council has also judged whether its contractual arrangements contain an implicit finance lease, which is to say the economic reality is that the Council is paying for the use of an asset as well as a service. The contractual arrangements are tested in a similar way to the Council's lease arrangements. Where this is the case, the Council has shown the asset on its balance sheet per the economic reality, which is that the asset has been purchased.

In addition, the Council has made judgements about which assets to classify as heritage assets, by judging whether those assets that are non-operational have artistic, scientific, cultural and environmental qualities. The accounting standards allow wide discretion over how to value heritage assets. The Council has made the judgement to value heritage assets using professional external valuations and insurance values on specific assets, where possible.

The Council has judged that when it has committed to a redundancy in writing by the end of the financial year, the costs to the Council of the redundancy are either accrued, if the person has left the Council by 31 March 2017, or included in a provision. A judgement has also been made about whether to include a provision for planned future redundancies, even when the Council is not committed to these. The tests are whether there is a high expectation and likelihood that the redundancies are carried out and that there is a detailed plan for redundancies.

The Council has made judgements about what other provisions should be made in the accounts and the amounts to be set aside. The Council has included provisions where the Council has a commitment at the financial year end to incur expenditure. The amount of the provision is based on an estimate of the commitment incurred using the evidence available, which is then discounted. In particular a provision was required in 2016-17 for the estimated costs of repaying Business Rates, following successful appeals. A provision for bad debts is also included based on the expectation of the Council receiving payment.

A judgement is also made on when to disclose a contingent liability. The test is whether at the year end date, there is a potential commitment to incur costs conditional on an event, such as the outcome of a court case.

There is also discretion and debate within current accounting standards about which school types should be included in the Balance Sheet, given there are different degrees of autonomy with the school types.

By virtue of legal ownership or the control exerted over school governing bodies, the Council recognises on its balance sheet at current value, interests in all schools where ownership is vested either in the Council or a school governing body. This includes all community schools, and some foundation and voluntary controlled schools (84 in total). All other schools (33) are vested in founding trusts controlled by religious or charitable bodies. Ownership of these schools is not recognised by the Council as there is no past transaction or event giving the Council control of these properties; rights to continuing use of the assets, or to the benefits associated with them. This is entirely dependent on the ongoing and future goodwill of the owner which could take back the asset at any time. However, the costs of providing actual education services from such establishments and the revenues arising are recognised as service costs under net cost of services.

Overall the Council's policy is not to include Academies on its Balance Sheet. As such, schools transferring to Academies will also be de-recognised from the balance sheet and newly built Academies will not be shown as assets on the Council's balance sheet when long term leases have been completed.

The Council has made judgements about how the Building Schools for the Future (BSF) Phase 2 schools were initially recognised on the Council Balance Sheet. Three mainstream Secondary Schools were handed over to the Council along with three co-located Special Education Secondary Schools on the sites. The Private Finance Initiative (PFI) contract does not separate out the construction costs for the Secondary Schools and the Special Schools and a judgement was made to recognise the schools initially on a 50:50 split based on the construction costs included in the PFI contract. This approach was taken as the PFI assets were to be revalued once they had been handed over to the Council and the value in the accounts as at 31 March 2017 is the revalued amount for assets that remain on the Balance Sheet.

Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether the Council will be able to maintain an adequate level of spend on repairs and maintenance, which could affect the useful lives of certain assets.	If the useful life of assets is for example reduced, depreciation increases and the carrying amount of the asset falls.
Provisions	The Council has a provision of £5.976m for termination costs arising from redundancies anticipated in the budget. An estimate has been made of these costs based on the anticipated number of redundancies and an average cost.	An increase or decrease in the cost of redundancy would have a proportionate impact on the provision required.
	The Council also has a provision of £7.363m at 31 March 2017 (£7.831m at 31 March 2016) for insurance claims which it has chosen to self insure (all claims under £120,000). The insurance provision has been rigorously reviewed over the last two years and is now considered to be at an adequate level to meet all expected claims.	If the insurance provision is not adequate, which is considered very unlikely, extra funds would have to be found from available reserves or from in year savings.
	In addition, the Council has a provision of £5.782m at 31 March 2017 (£5.997m at 31 March 2016) for the Council's share of Business Rate Appeals. New funding arrangements now mean that the Council receives 49% of the Business Rates it collects, instead of a redistribution from the government. The provision has been estimated by analysing all appeals to date by category as well as reviewing the rate of success.	If the Business Rate appeals provision is not adequate, additional funds would be required from reserves or in year savings.
	Under IFRS, provisions must be split between short term (up to one year) and long term (over one year). It is not possible to accurately determine when various claims, which may be subject to litigation, will be paid and therefore the analysis of the overall provision between long and short term is an approximate estimate.	An incorrect allocation of the provision between short term and long term will not change the net worth of the Balance Sheet, or impact on the Council's cash levels. It will either over or understate current or long term liabilities, where short and long term provisions are respectively included.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Aon Hewitt Limited, is engaged to provide the Council with expert advice about the 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 £47.656m – a decrease from £2,702.567m to £2,654.911m.
Pensions Liability	The Council incorporated the impact on the pension liability of Academy conversions in 2016-2017.	The impact on the Comprehensive Income and Expenditure account is to recognise a settlement cost of £7.963M. The impact on the balance sheet positon is a reduction in the disclosed deficit as at 31 March 2017.
Arrears	At 31 March 2017, the Council had a balance of debtors and prepayments of £100.8m, a decrease of £2.9m compared to the 31 March 2016 figure of £103.7m. A review of significant balances suggested that a minimum impairment of debts of 15% was appropriate for balances aged at least one year, given the current economic climate, but higher levels than this have been included where appropriate.	If collection rates were to deteriorate, this would increase the amount of the impairment of doubtful debts.
Leases	Under IFRS, all leases must firstly be split into either finance or operating leases, and then into land and buildings. The Council has over 3,000 individual leases, most of which are for relatively small amounts. The Council does not have sufficient	

	valuation staff to review all leases, and the resulting information would not justify the cost. The main assumptions which have been made are: **Split between finance and operating lease:** • A lease where the lease term is less than 75% of the economic life of the asset will be assumed to be an operating lease. • A lease where the real (i.e. present) value of the minimum lease payments is less than 80% of the asset value, is classed as an operating lease. There are approximately 40 equipment leases which have a value over £10,000 over the life of the lease which will be reviewed. Those under £10,000 will not be reviewed.	The effect of making an incorrect classification between finance and operating leases is not considered material. The effect of not undertaking a separation of land and buildings for all relevant leases is also not considered material. Many leases are for land only, for which assessment will be relatively easy.
Fair value measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable date, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example for investment properties the Council's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 9, 13 and 47.	The methods used to arrive at the fair value of surplus and investment properties are described in notes 10 and 13. They are based on observable data. The method used to measure the fair value of Investments is described in Note 47.

Note 4. Adjustments between accounting basis and funding basis under Regulations 2016-17

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.

2015-16					2016-17			
Useable Reserves				Useable Reserves	Useable Reserves			
General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	**Adjustment between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
40,442	0	0	-40,442	Charges for depreciation and impairment of non current assets	35,763			-35,763
48,672	0	0	-48,672	Revaluation losses on property, plant and equipment	15,991			-15,991
1,759	0	0	-1,759	Movements in the market value of Investment Properties	-3,387			3,387
2,614	0	0	-2,614	Amortisation of intangible assets	991			-991
-16,442	0	0	16,442	Capital grants and contributions applied	-15,949			15,949
8,854	0	-3,111	-5,743	Revenue expenditure funded from capital under statute (REFCUS)	6,651		-3,792	-2,859
13,003	0	0	-13,003	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	131,788			-131,788
-329	0	0	329	Donated Assets	-500			500
0	0	0	0	**Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:**				
-32,162	0	0	32,162	Statutory provision for the financing of capital investment	-24,376			24,376
-6,706	0	0	6,706	Capital expenditure charged against the General Fund	-4,306			4,306
				Adjustments primarily involving the Capital Grants Unapplied Account:				
-20,006	0	20,006	0	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-22,737		22,737	0
0	0	-19,316	19,316	Application of grants to capital financing transferred to the Capital Adjustment Account			-13,992	13,992
				Adjustments primarily involving the Capital Receipts Reserve				
-8,191	8,191	0	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-5,229	5,229		0
0	-5,119	0	5,119	Use of the Capital Receipts Reserve to finance new capital expenditure		-6,416		6,416
7	-7	0	0	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	5	-5		0
				Adjustments primarily involving the Deferred Capital Receipts Reserve:				
0	13	0	-13	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		10		-10
				Adjustments primarily involving the Financial Instruments Adjustment Account:				
-286	0	0	286	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	-285			285
				Adjustments primarily involving the Pensions Reserve:				
78,978	0	0	-78,978	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	68,128			-68,128
-43,989	0	0	43,989	Employer's pensions contributions and direct payments to pensioners payable in the year:	-42,391			42,391
				Adjustments primarily involving the Collection Fund Adjustment Account:				
3,965	0	0	-3,965	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.	-4,986			4,986
				Adjustment primarily involving the Accumulated Absences Account:				
-1,215	0	0	1,215	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.	563			-563
68,968	3,078	-2,421	-69,625	**Total Adjustments between accounting basis & funding basis under regulations**	135,734	-1,182	4,953	-139,505

Note 5. Transfers to/from Earmarked Reserves

	Balance at 31 March 2015 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2016 £000	Transfers Out £000	Transfers In £000	Balance at 31 March 2017 £000
General Fund Reserve	10,803	0	0	10,803	0	0	10,803
Schools Delegated Balances	38,356	-4,553	0	33,803	-8,586	0	25,217
A. Total General Fund Balance	**49,159**	**-4,553**	**0**	**44,606**	**-8,586**	**0**	**36,020**
Unallocated reserves available to support future budget decisions	**33,666**	**-14,807**	**1,060**	**19,919**	**-6,721**	**1,299**	**14,497**
Earmarked Reserves							
Managed Severance	4,093	0	0	4,093	0	0	4,093
Transitional and Risk	5,300	-1,456	3,905	7,749	-8,509	7,624	6,864
Exempt VAT	2,000	0	0	2,000	0	0	2,000
Former grant allocations	768	-25	0	743	-559	8	192
PFI - Contracts	4,627	-3,822	0	805	0	0	805
Capital Feasibility	273	-203	0	70	-70	0	0
Carbon Intervention	761	-761	0	0	0	0	0
Transformation Programme	125		0	125	0	0	125
Employment Opportunities Fund	2,427	-1,402	0	1,025	0	173	1,198
Waste Collection & Disposal Options	4,433	-404	0	4,029	-1,266	300	3,063
Trade Waste VAT Refund	583	-120	0	463	-120	0	343
Insurance	1,775	0	0	1,775	0	0	1,775
Industrial Centres of Excellence	1	0	0	1	0	0	1
Sports Strategy	255	-90	0	165	-118	57	104
Regional Growth Fund	7,000	-656	0	6,344	-1,157	0	5,187
Better Use of Budgets	7,274	-7,273	2,756	2,757	-2,757	2,788	2,788
Regional Revolving Investment Fund	3,956	0	0	3,956	0	0	3,956
Discretionary Social Fund	1,848	0	0	1,848	0	0	1,848
Single Status	23	0	0	23	0	0	23
Health Integration	222	0	0	222	0	0	222
Match Fund Basic Needs Grant	0	0	700	700	0	0	700
Dilapidation & Demolition	1,000	0	0	1,000	-1,000	2,000	2,000
Strategic Site Assembly & Develop	0	0	0	0	-44	800	756
	48,744	**-16,212**	**7,361**	**39,893**	**-15,600**	**13,750**	**38,043**
Reserves for capital investment							
Markets	1,235	-4	0	1,231	-83	0	1,148
Renewal and Replacement	12,648	-731	0	11,917	-634	2,000	13,283
	13,883	**-735**	**0**	**13,148**	**-717**	**2,000**	**14,431**
Service Earmarked Reserves							
PFI - BSF Unitary Charge	10,414	-250	498	10,662	0	732	11,394
Supporting People	2,065	0	0	2,065	-649	0	1,416
Integrated Health and Social Care	7,776	-2,643	214	5,347	-856	0	4,491
Community Support and Innovation Fund	480	-76	0	404	-52	0	352
Other	8,884	-2,292	16,759	23,351	-2,736	3,417	24,032
	29,619	**-5,261**	**17,471**	**41,829**	**-4,293**	**4,149**	**41,685**
Revenue Grant Reserves	9,081	-5,063	4,371	8,389	-3,172	3,149	8,366
B Total Earmarked Reserves	**134,993**	**-42,078**	**30,263**	**123,178**	**-30,503**	**24,347**	**117,022**
C Capital Grants Unapplied	32,077	-22,427	20,006	**29,656**	-17,784	22,737	**34,609**
D Capital Receipts Reserve	1,770	-5,119	8,197	**4,848**	-6,421	5,239	**3,666**
E Total Other Usable Reserves	**33,847**	**-27,546**	**28,203**	**34,504**	**-24,205**	**27,976**	**38,275**
Total Usable Reserves	**217,999**	**-74,177**	**58,466**	**202,288**	**-63,294**	**52,323**	**191,317**

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 (£36.0m)

A net £36.0m balance has been carried forward to 2017-18 (£44.6m at 31 March 2016). This includes £25.2m carried forward for schools under delegated budgets.

All authorities are expected to maintain a prudent balance for unforeseen events and to assist cash flow management at a prudent level. The Council has assessed this level to be £10.8m.

b) Earmarked Reserves (£117.0m)

In light of the ongoing reductions in Government funding since 2010, the Council has consistently applied its Reserves Policy to either fund one off priority investment or transitional activity whilst seeking to reduce its recurrent cost base. A policy which to date has served the Council well.

At 31 March 2017 the Council has available £14.5m of unallocated corporate reserves. This is in line with the financial planning that underpinned the 2017-18 Budget decision to use unallocated reserves to support the 2017-18 Budget.

In 2016-17 the level of earmarked reserves decreased by a net £6.2m from £123.2m at 31 March 2016 to £117.0m at 31 March 2017. The significant in year transfers into reserves are listed below:

- £300k net underspend in 2016-17 transferred into an unallocated reserve earmarked for support of future annual revenue budgets.
- £2.8m of requests from Services to carry forward 2016-17 budget to complete projects in 2017-18.
- £732k added to the BSF Phase 1 and 2 Service earmarked to ensure that when unitary payments exceed the PFI grant, the Council has sufficient resources to meet the costs.
- £3.1m of unspent specific grant allocations which will be spent in 2017-18 in accordance with the original purpose of the grant.
- £2m added to the dilapidation & demolition reserve
- £2m added to the repairs & renewals
- £300k added to waste collection & disposals

The transfers into reserves have been offset by transfers back to the general fund to meet priority investment of £30m. This includes commitments carried forward from 2016-17 of £13.4m and the application of £3.1m of grant monies received in previous years and £6.4m to fund budget decisions.

The planned use of unallocated Corporate Reserves to support future Budgets is estimated to leave a residual general reserve balance of just over £10.8m at 31 March 2017. A balance which continues to be potentially inadequate in the context of the difficult outlook for public finances.

c) Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve represents usable capital grants available to fund capital expenditure. Capital Grants are included in this reserve, rather than shown as Capital Grants Receipted in Advance when all the grant conditions have been met. Capital grants and contributions unapplied are credited to the Comprehensive Income and Expenditure Account when grant conditions are met.

d) Capital Receipts Reserve

When capital receipts are used either to repay debt or to fund capital investment, they are transferred from the Capital Receipts Unapplied Reserve to the Capital Adjustment Account.

Authorities are required to pay 75% of their housing capital receipts into a national pool. The Council was required to pay £5,103 to the pool in 2016-17 (£6,701 in 2015-16). 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.

2015-16	Capital Receipts Reserve	2016-17
£000		£000
1,770	**Balance at 1 April**	**4,848**
	Usable receipts in the year	
8,191	Disposal of assets	5,229
13	Other capital receipts	10
-7	Appropriation to (–) from Revenue Account re pooled housing receipts	-5
-5,119	Used to finance capital spending	-6,416
0	Used for debt repayment	0
4,848	**Balance at 31 March**	**3,666**

Whilst most capital receipts arise from the disposal of assets, other capital receipts may arise, mainly where the Council has given a loan or other assistance for capital purposes.

Note 6. Material Items of Income and Expense

There were no exceptional items in 2016-17 or 2015-2016.

Note 7. Post Balance Sheet Events

Since 1 April, three schools have transferred to Academy status. These Community Schools, with an estimated value of £14m at 31 March 2017, will be removed from the 2017-18 Balance Sheet when a 125 year peppercorn lease is completed. A long term lease on Appleton Academy, which previously transferred to Academy Status, completed after 31 March 2017 and will be removed from the 2017-18 Balance Sheet.

There was a fire on 14th June at Wyke Manor Sports Hall. Its value on the Council's balance sheet at 31 March 2017 was £0.563m. The cost to the Council is the excess on the insurance policy of £0.120m.

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

2015-16 £000	Other Operating expenditure	2016-17 £000
1,265	Parish Council Precepts	1,407
7	Payments to the Government Housing Capital Receipts Pool	3
5,242	Losses on the disposal of non-current assets	127,217
6,514	**Total**	**128,627**

b) Financing and Investment Income and Expenditure

2015-16 £000	Financing and Investment Income and Expenditure	2016-17 £000
39,043	Interest payable and similar charges (see table b2 below)	38,378
22,626	Net Interest on the Pension net defined benefit liability/(asset)	23,091
-683	Interest receivable and other income	-455
-565	Income and expenditure in relation to investment properties and changes in their fair value	-6,214
-698	Other investment income	-605
1,232	Net Deficit on Trading Accounts	865
60,955	**Total**	**55,060**

b2) External interest costs are paid by the Council on loans raised to finance capital expenditure.

2015-16 £000	Interest Payable and Similar Charges	2016-17 £000
	External interest charges	
18,239	Public Works Loans Board	17,917
18,753	Interest on PFI and finance lease rentals	18,431
1,786	Lender Option Borrower Option (LOBO's)	1,778
258	Transferred debt	248
7	Interest on short term borrowing	4
39,043	**Total**	**38,378**

c) Taxation and Non- Specific Grant Income

2015-16 £000	Taxation and Non-Specific Grant Income	2016-17 £000
-153,968	Council Tax income	-162,489
-64,149	Non domestic rates	-68,797
-181,985	Non-ringfenced government grants (see below)	-160,067
-36,449	Capital grants and contributions	-38,740
-329	Donated Assets Funding	-500
-436,880	**Total**	**-430,593**

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Income and Expenditure Account. In 2016-17 the Council received the following:

c2) Government Grants

2015-16 £000	Government grants (not attributable to specific services)	2016-17 £000
-107,390	Revenue Support Grant	-83,947
-56,568	Top Up Grant	-57,040
-165	Local Services Support Grant	-104
-9,644	New Homes Bonus Grant	-11,444
-8,218	Section 31 Grant, mainly relating to Business Rates	-7,532
-181,985	**Total**	**-160,067**

Note 9. Property, Plant and Equipment: Movements on Balances in 2016-17

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2016	**12,388**	**835,199**	**48,063**	**310,408**	**39,591**	**12,692**	**5,791**	**1,264,132**	**64,581**
Additions	1	19,300	3,523	13,153	633	1,002	11,995	49,607	
Revaluation in the Rev. Reserve	0	3,406	0	0	421	-431	0	3,396	0
Revaluation. in Surplus/Deficit on the Provision of Services	-1,048	-22,593	0	0	-224	-1,237	0	-25,102	3,263
Derecognition – disposals	0	-141,321	-1,747	-135	-33	-886	0	-144,122	-19,923
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/ from Held for Sale	0	-2,434	0	0	-2	119	0	-2,317	0
Reclassifications	2,776	-3,413	148	0	-5	7,582	-6,822	266	-1,648
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2017	**14,117**	**688,144**	**49,987**	**323,426**	**40,381**	**18,841**	**10,964**	**1,145,860**	**46,273**
At 1 April 2016	**-388**	**-71,382**	**-25,171**	**-103,010**	**-1**	**-237**	**0**	**-200,189**	**-4,860**
Depreciation charge	-207	-18,883	-6,213	-10,332	0	-128	0	-35,763	-1,219
Depreciation w/o Revalua tion Reserve	0	1,073	0	0	0	25	0	1,098	0
Depreciation w/o to the Surplus/Deficit on the Provision of Services	176	8,296	0	0	0	655	0	9,127	2,445
Impairment losses/ (reversals) in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment in Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – disposals	0	13,607	1,264	61	0	19	0	14,951	254
Derecognition – other	0	0	0	0	0	0	0	0	0
Reclassifications – Other	0	989	0	0	0	-892	0	97	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0	0
At 31 March 2017	**-419**	**-66,300**	**-30,120**	**-113,281**	**-1**	**-558**	**0**	**-210,679**	**-3,380**
At 31 March 2016 – Net Book Value	**12,000**	**763,817**	**22,892**	**207,398**	**39,590**	**12,455**	**5,791**	**1,063,943**	**59,721**
At 31 March 2017 – Net Book Value	**13,698**	**621,844**	**19,867**	**210,145**	**40,380**	**18,283**	**10,964**	**935,181**	**42,893**

Comparative Movements in 2015-16

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastr-ucture assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property Plant & Equipment	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2015	**7,081**	**872,155**	**45,066**	**293,273**	**39,996**	**25,154**	**24,645**	**1,307,370**	**64,581**
Additions	398	26,545	4,054	17,304	85	4,939	6,666	59,991	0
Revaluation in the Rev. Reserve	0	-14,329	0	0	-74	-411	0	-14,814	0
Revaluation. in Surplus/Deficit on the Provision of Services	-3,181	-67,975	0	0	-425	-2,414	0	-73,995	0
Derecognition – disposals	0	-9,966	-1,349	0	0	-676	0	-11,991	0
Derecognition - other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/ from Held for Sale	0	-324	0	0	0	-585	-1,895	-2,804	0
Reclassifications	8,090	29,093	292	-169	9	-13,315	-23,625	375	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0
At 31 March 2016	**12,388**	**835,199**	**48,063**	**310,408**	**39,591**	**12,692**	**5,791**	**1,264,132**	**64,581**
At 1 April 2015	**-270**	**-82,137**	**-18,375**	**-93,300**	**-1**	**-985**	**0**	**-195,068**	**-3,642**
Depreciation charge	-118	-22,483	-7,839	-9,761	0	-241	0	-40,442	-1,218
Depreciation w/o Revalua tion Reserve	0	5,993	0	0	0	30	0	6,023	0
Depreciation w/o to the Surplus/Deficit on the Provision of Services	0	24,342	0	0	0	944	0	25,286	0
Impairment losses/ (reversals) in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment in Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
Derecognition – disposals	0	2,819	1,094	0	0	14	0	3,927	0
Derecognition – other	0	0	0	0	0	0	0	0	0
Reclassifications – Other	0	84	-51	51	0	1	0	85	0
Other movements in depreciation & impairment	0	0	0	0	0	0	0	0	0
At 31 March 2016	**-388**	**-71,382**	**-25,171**	**-103,010**	**-1**	**-237**	**0**	**-200,189**	**-4,860**
At 31 March 2015 – Net Book Value	**6,811**	**790,018**	**26,691**	**199,973**	**39,995**	**24,169**	**24,645**	**1,112,302**	**60,939**
At 31 March 2016 – Net Book Value	**12,000**	**763,817**	**22,892**	**207,398**	**39,590**	**12,455**	**5,791**	**1,063,943**	**59,721**

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 below in the year they were revalued.

The Council constructed a number of dwellings for rent, which are managed by a housing association on its behalf. The Council does not have to establish a Housing Revenue Account (HRA) as it has received legal opinion that it is not required for such a small number of properties.

Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	0	0	19,867	484	210,145	20,440	10,964	261,900
Held at Valuation Value in:								
2012/13	4,351	56,645		231		14,444		75,671
2013/14	0	129,141		45		3,047		132,233
2014/15	0	159,830		454		638		160,922
2015/16	4,837	184,755		10,158		436		200,186
2016/17	4,510	91,473		6,911		1,375		104,269
Total	**13,698**	**621,844**	**19,867**	**18,283**	**210,145**	**40,380**	**10,964**	**935,181**

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 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 2016-17. At 31 March 2017 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2016-17 and future years budgeted to cost £8.232m. Similar commitments at 31 March 2016 were £2.460m. The major commitments (over £0.250m) are:

Capital Commitments	2015-16	2016-17
	£000	£000
Primary Schools Expansion Programme	514	2,252
Outdoor Centres	254	0
Affordable Housing	0	3,035
Jermyn Court	1,692	0
Cliffe Castle	0	1,875
Crag Road	0	1,070
Total	**2,460**	**8,232**

b) Obligations Under Long-Term Contracts

Bradford-I

Bradford-I was a 10 year contract, which started in September 2005, with IBM UK Ltd, and SERCO (which is a subcontractor for the provision of ICT services). The contract provided a modernised ICT platform, together with a large number of software systems. The last day of the contract was 4 September 2015. There was no long term obligation at 31 March 2017.

Note 12. Heritage Assets

Tangible Heritage Assets

	Museum collection £000	Civic regalia £000	Statues & Monuments £000	Total Assets £000
Cost or valuation				
1 April 2015	34,020	1,732	88	35,840
Additions	329	0	4	333
Revaluation increases / (decreases) recognised in the revaluation reserve	88	0	0	88
31 March 2016	**34,437**	**1,732**	**92**	**36,261**
Cost or valuation				
1 April 2016	34,437	1,732	92	36,261
Additions	500	0	21	521
Revaluation increases / (decreases) recognised in the revaluation reserve	85	0	0	85
31 March 2017	**35,022**	**1,732**	**113**	**36,867**

The Council held £36.867m heritage assets on its Balance Sheet as at 31 March 2017.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The Council acquires heritage assets in accordance with established Council Policies, i.e. the Acquisitions & Disposals Policy, Bradford Museums & Galleries. The policy of the Council is to manage and preserve its heritage assets and has no plans to dispose of them. Heritage assets are largely held in museums, managed by the Council, where there is public access. Other heritage assets are held for annual usage, such as the Lord Mayor's chain or items on display at City Hall.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation in the financial statements in relation to these heritage assets.

Museum Collection – items on the Balance Sheet

The collection includes a wide range of material that collectively contributes to national / district knowledge and culture through their archaeological, historic, artistic, scientific, technological, geophysical and environmental qualities. These items are held at four main museums and two external stores within the District. More information on the collections can be found on the Council's website at http://www.bradfordmuseums.org

The council owns approximately 691,000 items within the museum collections. It is not considered practical to individually value this entire collection, and so only those items which are considered to have a significant value are individually valued and recorded in the balance sheet at their current valuation.

In 2012-13 there was a review of the major pieces of the Fine Art Collection held at Cartwright Hall by external valuers Christies. For those items reviewed by Christies they have been included on the Balance Sheet based on auction values (lower range). In 2014-15 and 2015-16 further items in the collection were reviewed by external valuers resulting in revaluation increases of £2,861,000 and £88,000.

During 2016-17 two paintings and two cannons have been reviewed by external valuers and this has resulted in a revaluation increase of £85,000.

In addition to external valuations the collection is considered for insurance values and three items are included on the Balance Sheet at insurance values which is based on values estimated by museum staff. The insurance values are considered annually.

Those items that are on temporary loan to the museum service have not been included in the Council's Balance Sheet as they are not the Council's assets.

Museum exhibits and works of art – overall collections

As explained in note above, only those items which have a significant individual value are included in the balance sheet. The current insurance valuation of the lesser valued items have been given a collective value of £46m. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The Council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

Civic Regalia

The Council's external valuer for its Civic Regalia (Sydneys Ltd) carried out a full valuation of the collection as at June 2010. The valuations are based on commercial markets. The valuations are updated approximately every ten years with the previous one completed in April 2001. The Council's Civic Regalia is held in City Hall.

Statues and external works of art

The Council has £0.113m of Statues and Monuments. This relates to a war memorial and a new sculpture completed in 2016-17. The value in the accounts is at historic cost.

Other Heritage Assets

There are also potential heritage assets not included on the balance sheet and these include:

- Scheduled ancient monuments and regionally important geological sites – carved rocks and caves.
- Library archives - maps, photographs, newspapers & electoral rolls.
- Fossil Tree stumps.
- Statues and memorials across the District.

For the majority of the statues, neither cost nor valuation information can be provided and therefore reported in the Balance Sheet. This relates to over 60 statues and memorials that are located across the District.

The Council also has a number of scheduled ancient monuments located on assets that it owns. In addition there are records within the Library archives that are being held for historical reference. These assets cannot be valued because of the diverse nature of the assets and therefore cost or valuation information is not available as conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Also, some heritage assets have been classified as operational heritage assets when they are in use, for instance a building which is used for office accommodation or to house a museum collection. In these cases, the asset is classified according to its type, in this case as land and buildings within the Property Plant and Equipment balance.

No significant heritage assets were disposed of in 2016-17 or 2015-16.

Additions of Heritage Assets

There have been no significant purchases to heritage assets in 2016-17 but there have been some additions to the museum collections in the last two years. Individually these have not been thought significant so there is no separate valuation included in the Balance Sheet for purchased items. In 2016-17, there was a donation worth £500,000 and this has been included based on Insurance value.

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 £2.176m (see below Analysis of Rental Income and Management Costs of Investments), plus the increase of £3.387m on fair value (see below reconciliation of Movements on Investments), plus the gain on disposal of £0.651m comprise the £6.214m charge for investment properties in Note 8(b), Financing and Investment Income and Expenditure, page 45.

2015-16 Restated £000		**2016-17 £000**
-2,302	Rental income from investment property	-2,356
-58	Other income (service and other charges)	-178
	Direct operating expenses:	
275	Repairs & maintenance	196
190	Management expenses	162
-1,895	**Net (gain)**	**-2,176**

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

2015-16 £000	**Reconciliation of Movements on Investments**	**2016-17 £000**
47,917	**Balance at 1 April**	**45,734**
0	Additions	0
-48	Disposals	-251
-1,759	Net gains/losses(-) from fair value adjustments	3,387
	Transfers	
-376	To/from Property, Plant and Equipment	-266
45,734	**Balance at 31 March**	**48,604**

Investment Property has been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Asset Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal

Institution of Chartered Surveyors. Properties are not depreciated, the fair value of the Council's investment property is considered annually at each reporting date.

Fair value

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels).

In accordance with IFRS 13, investment properties have been valued at highest and best value. Investment properties comprise industrial, retail, residential and office units; development and grazing land. Investment assets have been valued on a desktop basis using the Investment Method of Valuation relying on data held on the council's property database and case files and the knowledge of Estate Management staff.The main considerations in valuing investment properties are rental yields and sale values; size, location, configuration and access; condition and covenants. All investment property valuations are based on such observable inputs.

There were no transfers between levels during the year.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and best use of investment properties

In most cases the current use of assets has been considered to be the highest and best use of the properties. The exception to this is land suitable for development which is currently put to a lower value use. In such cases, the use for which the property could be developed has been regarded as the highest and best use of the asset.

Note 14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular Information Technology (IT) system and accounted for as part of the hardware item within Property, Plant and Equipment. The intangible assets include only purchased licences and do not include any internally generated software. The Council does not have any intangible assets apart from software.

All software is given a useful life, based on the assessments of the period that the software is expected to be of use to the Council. All of the Council's software has an estimated useful life of 10 years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.991m charged to revenue in 2016-17 (£2.614m in 2015-16) 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:

	2015-16 £000	**2016-17 £000**
Balance at 1 April each year		
• Gross carrying amounts	19,376	19,712
• Accumulated amortisation	-15,638	-18,252
Net carrying amount at start of year	**3,738**	**1,460**
Additions :		
• Purchases	336	316
Amortisation for the period	-2,614	-991
Net carrying amount at end of year	**1,460**	**785**
Comprising :		
• Gross carrying amounts	19,712	20,028
• Accumulated amortisation	-18,252	-19,243

The intangible assets figures largely comprise the software required to run the Council's computer system. The Council has not been able to revalue this software due to its specialist nature as it has been specifically configured for the Council and is not easily comparable with any other system. However, the life of the system used for amortisation is estimated to be conservative, and the actual life should exceed the estimated life for accounting purposes.

Note 15. Construction Contracts

The Council did not enter into any construction contracts in 2016-17 or 2015-16.

Note 16. Long Term Investment

The Council's long term investment at 31 March 2017 is made up of £1,000 in Integrated Bradford LEP Ltd (31 March 2016 £1,000).

Integrated Bradford LEP Ltd – Company no. 5797774

In December 2006, the Council took a £1,000, (10%) interest in the Local Education Partnership, Integrated Bradford LEP Limited. The company has been set up to deliver the capital investment programme in Bradford secondary schools funded through the government initiative Building Schools for the Future.

Note 17. Long Term Debtors

These represent the value of long term advances granted by the Council. The amount owed by other local authorities at 31 March 2017 of £0.260m is in respect of transferred debt for Probation Service owed by other West Yorkshire authorities.

The balance owing on sale of assets on finance leases of £0.223m represents the principal element of the leases.

31 March 2016 £000	Analysis of Long Term Debtors	31 March 2017 £000
14	Former Council house tenants	4
282	Other local authorities re joint services	260
454	Car loans	570
275	Building Schools for the Future Ltd	267
146	Loans to organisations	122
5	Housing Advances	4
223	Balance owing on sale of assets on finance lease(s)	223
34	Other	34
1,433	**Total**	**1,484**

Note 18. Current Assets and Current Liabilities

31 March 2016 £000	Inventories	31 March 2017 £000
0	Trading services	0
2,237	Other	1,909
2,237	**Total**	**1,909**

Short term Debtors and Payments In Advance

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

31 March 2016 £000	Analysis of Debtors and Payments in Advance	31 March 2017 £000
	Amounts falling due within one year	
19,497	Central Government bodies	9,372
3,919	Other local authorities	2,700
4,814	NHS bodies	3,526
725	Public corporations and trading funds	678
68,323	Other entities and individuals	77,963
6,458	General payments in advance	6,593
103,736	**Total**	**100,832**
	Less provision for bad and doubtful debts	
14,870	Collection Fund	14,449
11,796	Other	11,823
77,070	**Net Total**	**74,560**

The net debtors have changed from a total of £77.070m at 31 March 2016 to £74.560m at 31 March 2017, a decrease of £2.510m.

Short Term Investments

The Council has short term investments of £21.025m; see Balance Sheet (£7.238m 2015-16). This is invested with banks and building societies.

Cash and Cash Equivalents

At any point in time the cash flow of the Council can result in temporary cash balances which are put into short-term investments. At the 31 March 2017, £56.253m was invested in short term deposits, banks and building societies (£74.038m at 31 March 2016).

31 March 2016 £000		31 March 2017 £000
709	Cash held by the Council	667
62,724	Bank accounts	54,586
10,605	Short term deposits with building societies and banks	1,000
74,038	**Total Cash and Cash Equivalents** (see Balance Sheet page 23)	**56,253**
-3,523	Cash and Cash Equivalents Overdrawn (see Balance sheet page 23)	-7,042
70,515	**Total net Cash and Cash Equivalents** (see Cashflow statement page 24)	**49,211**

The Council also has short term borrowings of £13.623m (£29.486m 2015-16).

Creditors and Receipts in Advance

31 March 2016 £000	Analysis of Creditors and Receipts in Advance	31 March 2017 £000
	Amounts falling due within one year	
11,791	Central Government bodies	13,759
1,307	Other local authorities	759
2,083	NHS bodies	1,124
166	Public corporations and trading funds	515
58,114	Other entities and individuals	54,395
73,461	**Total**	**70,552**
	Receipts in advance	
11,644	Sundry	8,859
5,927	Developer's contributions	5,712
17,571	**Total**	**14,571**
91,032	**Total Creditors and Receipts in Advance**	**85,123**

Note 19. Assets held for sale

Current Assets held for sale	2015-16 £000	2016-17 £000
Balance outstanding at start of year	**2,770**	**652**
Additions	54	0
Assets newly classified as held for sale:		
- Property, Plant and Equipment	3,470	2,535
Revaluation losses	0	-17
Assets declassified:		
- Property, Plant and Equipment	-751	-315
Assets sold	-4,891	-2,364
Balance outstanding at year end	**652**	**491**

Note 20. Provisions

The provisions totals of £20.362m at 31 March 2017 and £22.726m at 31 March 2016 are separated on the Balance Sheet into current and long term provisions. The current provisions are those expecting to be used in the next financial year, £9.791m at 31 March 2017 (£9.383m at 31 March 2016). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £10.571m at 31 March 2017 (£13.343m at 31 March 2016).

	Termination	**Personal Search fees**	**MMI Scheme of Arrangement**	**Outstanding legal cases**	**Injury and Damage Compensation Claims**	**Equal Pay Provisions**	**Testing Provision**	**Business Rate Appeals**	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 31 March 2015	**4,577**	**159**	**0**	**3,210**	**5,151**	**418**	**0**	**7,526**	**21,041**
Additional provisions made in 2015-16	6,796	169	322	3,548	2,561	0	0	3,388	16,784
Amounts used in 2015-16	-2,998	-127	0	-2,187	-1,686	0	0	-4,917	-11,915
Unused amounts reversed in 2015-16	0	0	0	-636	-2,130	-418	0	0	-3,184
Balance at 31 March 2016	**8,375**	**201**	**322**	**3,935**	**3,896**	**0**	**0**	**5,997**	**22,726**
Additional provisions made in 2016-17	611	0	626	3,726	3,157	0	200	2,055	10,375
Amounts used in 2016-17	-3,010	-108	0	-1,967	-1,642	0		-2,270	-8,997
Unused amounts reversed in 2016-17	0	0	0	-1,494	-2,248	0	0	0	-3,742
Balance at 31 March 2017	**5,976**	**93**	**948**	**4,200**	**3,163**	**0**	**200**	**5,782**	**20,362**

Short-Term	3,720	93	948	1,766	1,329	0	200	1,735	9,791
Long-Term	2,256	0		2,434	1,834	0	0	4,047	10,571
Balance at 31 March 2017	**5,976**	**93**	**948**	**4,200**	**3,163**		**200**	**5,782**	**20,362**

Termination (£5.976m) – for planned future termination costs arising from the detailed saving proposals approved as part of the 2016-17 Budget by Council in February 2015.

Property Search fees (£0.93m) – Whilst Personal Search companies have claimed for refunds from the Council, given that the Council's and other authorities charging policies were based on a statutory fee, the Council is reclaiming any repayment from the government in due course.

Insurance provisions (£4.200m and £3.163m) – These provisions bear the risk of day to day losses as an alternative to providing insurance cover through external insurance companies. Losses over £120,000 are externally insured. The main areas provided for are:

31 March 2016 £000	Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)	31 March 2017 £000
264	Property	0
6,879	Other Liability claims	6,777
688	Motor	586
7,831	**Total**	**7,363**

Equal Pay Provision (£0m) - Implementation of the 1997 Single Status Agreement between local authority employers and unions involves the review, job evaluation and harmonisation of former officer and former manual worker terms and conditions. It will lead to compensation claims under equal pay legislation (claims can cover a period of up to six years).

Testing Provision (£0.2m) – Amount set aside for potential costs relating to scientific testing provision.

Business Rates Appeals (£5.782m) – The provision reflects the estimate of the amount of Business Rates to be repaid to ratepayers, following any future successful appeals against rateable values.

Note 21. Unusable Reserves

2015-16		2016-17
£000		£000
168,345	(a) Revaluation Reserve	159,238
314,665	(b) Capital Adjustment Account	209,886
-5,813	(c) Financial Instruments Adjustment Account	-5,528
-700,142	(d) Pensions reserve	-829,875
271	(e) Deferred capital receipts reserve	261
-9,059	(f) Collection Fund Adjustment Account	-4,073
-12,709	(g) Accumulated Absences Account	-13,272
-244,442	**Total Unusable Reserves**	**-483,363**

a) Revaluation Reserve

The Revaluation Reserve is a store of changes to the measurable value of assets compared to the cost of acquiring them. In 2016-17, the Reserve has decreased from £168.345m to £159.238m, a decrease of £9.107m.

2015-16		2016-17
£000		£000
184,911	**Balance at 1 April**	**168,345**
11,162	Upward revaluation of assets	13,481
-19,905	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	-8,901
0	Impairments not charged to the Surplus or deficit on the Provision of Services	0
-8,743	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**4,580**
-4,191	Difference between fair value depreciation and historical cost depreciation	-3,207
-3,632	Accumulated gains on assets sold or scrapped	-10,480
-7,823	**Amount written off to the Capital Adjustment Account**	**-13,687**
168,345	**Balance at 31 March**	**159,238**

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.

2015-16		2016-17
£000		**£000**
339,002	**Balance at 1 April**	**314,665**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement :	
-40,442	- Charges for depreciation and impairment of non-current assets	-35,763
-48,672	- Revaluation losses on Property, Plant and Equipment	-15,991
-2,614	- Amortisation of Intangible Assets	-991
-5,743	- Revenue expenditure funded from capital under statute (REFCUS)	-2,859
-13,003	- 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	-131,788
7,823	Adjusting amounts written out of the Revaluation Reserve	13,687
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
5,119	- Use of the Capital Receipts Reserve to finance new capital expenditure	6,416
13,929	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	12,194
19,316	- Application of grants to capital financing from the Capital Grants Unapplied Account	13,992
2,512	- Allocation of grants to capital financing from the Capital Grants Receipts in Advance Account	3,755
329	- Donated assets and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	500
32,162	- Statutory provision for the financing of capital investment charged against the General Fund	24,376
6,706	- Capital expenditure charged against the General Fund balance	4,306
-1,759	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	3,387
314,665	**Balance at 31 March**	**209,886**

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.

2015-16		2016-17
£000		**£000**
-6,099	**Balance at 1 April**	**-5,813**
269	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	268
17	Removal of Effective Interest Rate on stepped interest loans	17
286	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	**285**
-5,813	**Balance at 31 March**	**-5,528**

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. See Note 30 for full explanation.

2015-16		2016-17
£000		£000
-733,599	**Balance at 1 April**	**-700,142**
68,446	Remeasurement of net defined benefit liability	-103,996
-78,978	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	-68,128
43,989	Employer's pensions contributions and direct payments to pensioners payable in the year	42,391
-700,142	**Balance at 31 March**	**-829,875**

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.

2015-16		2016-17
£000		£000
283	**Balance at 1 April**	**271**
-12	Transfer to the Capital Receipts Reserve upon receipt of cash	-10
271	**Balance at 31 March**	**261**

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.

2015-16		2016-17
£000		£000
-5,094	**Balance at 1 April**	**-9,059**
-3,965	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	4,986
-9,059	**Balance at 31 March**	**-4,073**

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2015-16		2016-17
£000		£000
-13,924	**Balance at 1 April**	**-12,709**
13,924	Settlement or cancellation of the accrual made at the end of the preceding year	12,709
-12,709	Amounts accrued at the end of the current year	-13,272
1,215	**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**.	**-563**
-12,709	**Balance at 31 March**	**-13,272**

Note 22. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2015-16		2016-17
£000		£000
85,336	Net (surplus) or deficit on the provision of services (see d)	150,476
-178,358	Adjustments to surplus or deficit for non-cash movements (See d)	-232,423
44,640	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	43,970
-507	Interest Received	-484
36,730	Interest paid	38,324
-686	Dividends Received	-654
-12,845	**Net cash flows from operating activities**	**-791**

b) Investing Activities

The cash flows for investing activities include the following items:

2015-16		2016-17
£000		£000
61,812	Purchase of property, plant and equipment, investment property and intangible assets	50,792
62,900	Purchase of short term and long term investments	100,095
-8,191	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-5,229
-38,022	Capital grants	-39,465
-109,200	Proceeds from short term and long term investments	-86,293
-30,701	**Net cash flows from investing activities**	**19,900**

c) Financing Activities

The cash flows for financing activities include the following items:

2015-16		2016-17
£000		£000
-30,600	Cash receipts of short and long term borrowing	-63,300
0	Other receipts from financing activities	-6,067
8,626	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	8,627
84,170	Repayments of short and long term borrowing	62,935
5,792	Other payments for financing activities	0
67,988	**Net cash flows from financing activities**	**2,195**

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

2015-16	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow			2016-17
£000				**£000**
85,336	**Net deficit / surplus (-) for year on the Comprehensive Income and Expenditure Account (I & E)**	A		**150,476**
	Add back non cash I & E items:			
-93,485	Depreciation & impairment, revaluation gains and losses, market value movements, and amortisation	B		-49,358
-196	Aborted cost on prior year capital expenditure	C		0
-34,989	IAS19 Pension adjustments	D		-25,737
329	Donated Assets non-cash funding	E		500
	Items on accruals basis:			
-3	Decrease (-) / Increase in stocks	F		-328
-13,543	Decrease (-) / increase in amounts due to Council (debtors)	G		4,004
12,537	Decrease / increase (-) in amounts due from Council (creditors)	H		5,670
-13,003	Carrying amount of disposals	I		-131,788
-1,684	Movement provisions	J		2,363
1,216	Net movement on Employee Benefit accrual	K		-563
-142,821	Removal of non-cash items included in Deficit/Surplus on Provision of services	L	B to K	*-195,237*
	Removal of interest received and paid already included in Surplus/Deficit so that this can be shown separately:			
-36,730	Interest paid	M		-38,324
507	Interest received	N		484
686	Dividends received	O		654
-35,537	Interest received and paid	P	M to O	*-37,186*
-178,358	**Adjustments to surplus or deficit for non-cash movements (Per Cash Flow Statement)**	Q	P + L	**-232,423**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
36,449	Capital Grants credited to surplus or deficit on the provision of services	R		38,741
8,191	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	S		5,229
44,640	**Sub-total items for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	T	R + S	**43,970**
35,537	**Interest and dividends received & paid shown separately (see above)**	U	P	**37,186**
-12,845	**Operating activities - net cash flow**	V	A+Q+T+U	**-791**

Note 23. 2016-17 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 (ie government grants, rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with the 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 for 2016-17 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	127,443	-827	126,616	-3,500	123,116
Children's Services	94,156	-3,463	90,693	-31,419	59,274
Department of Place	105,646	-459	105,187	-31,697	73,490
Revenues & Benefits	3,553	248	3,801	0	3,801
Chief Executive	4,613	2	4,615	-258	4,357
Corporate Services (Excluding Revenues and Benefits)	37,558	9,309	46,867	-7,180	39,687
Non Service Budgets	82,259	-86,772	-4,513	12,051	7,538
Central Budget & Net Transfers to Reserves	-77,525	101,641	24,116	-5	24,111
Net Cost of Services	**377,703**	**19,679**	**397,382**	**-62,008**	**335,374**
Other Operating Expenditure	0	128,627	128,627	-127,217	1,410
Financing and Investment income and expenditure	0	55,060	55,060	-19,703	35,357
Taxation and non-specific grant income	-377,703	-52,890	-430,593	44,226	-386,367
Earmarked Reserves	0	0	0	-6,156	-6,156
Reduction in School Delegated Balances	0	0	0	-8,585	-8,585
Statutory Provision for the financing of capital investment	0	0	0	24,376	24,376
Capital Expenditure charged against the General Fund	0	0	0	4,306	4,306
Financial Instruments Adjustment Account	0	0	0	285	285
Surplus (-)/Deficit on Provision of Services	**0**	**150,476**	**150,476**	**-150,476**	**0**
General Fund Balance brought forward					10,803
General Fund Balance carried forward					10,803

Commentary on the 2016-17 Expenditure Funding Analysis

The net expenditure of the 2016-17 Outturn statement (Column (a)) shows the financial position as presented in the format for the 2016-17 Annual Financial and Performance Report (Executive 11 July 2017). In summary, this shows £377.7m of expenditure by Council departments and corporate centres, funded by £377.7m of income. This is then reclassified in accordance with accounting standards in column (b) to show the 2016-17 Comprehensive Income and Expenditure Account.

The reclassifications in column (b) comprise a number of significant movements. Some of these movements are into additional categories of expenditure required in the Comprehensive Income and Expenditure Account. These additional categories are Other Operating Expenditure (mainly losses on the disposal of non-current assets) and Financing and Investment income (interest and income relating to investment properties).

Other significant movements in column (b) include £52.9m added to the £377.7m income. £38.8m of this relates to grants received during 2016-17 to fund the capital programme, classified under Non Service Budgets in the Annual Financial and Performance Report. Other elements of the £52.9m relate to transfers from earmarked reserves and corporate grants, classified under Central Budgets and Net Transfers to Reserves in the Annual Financial and Performance Report.

Other movements in column (b) includes the removal of internal income charged between Council departments, which in accordance with accounting standards cannot be included in the Comprehensive Income and Expenditure Account. For example, the Annual Financial and Performance Report (column (a)) includes income in Corporate Services earned by providing training to schools but also shown as expenditure against the Children's services department.

The last and largest set of reclassifications in column (b) relates to the removal of £150.5m of net income shown in the Annual Financial and Performance Report. This removal of £150.5m net income is in effect excluding transactions that make up the Movement in Reserves Statement - which is a separate statement from the Comprehensive income and Expenditure Account. As an example, it excludes transactions to reverse depreciation charges, that by statute cannot be charged against Council Tax.

A different set of reclassifications are shown in column (d) in order to show that, including earmarked reserve movements, the Council's expenditure and income matched in the year, so there was no overall change to the General Fund balance. These reclassifications remove the transactions, such as depreciation, which are made in accordance with accounting standards and have to be included in the Comprehensive Income and Expenditure Statement. However, as these transactions are not chargeable against Council Tax, they are removed in order to show the Council's true income and expenditure in column (e). Also column (d) adds other transactions that are not shown in the Comprehensive Income and Expenditure Account, but which are chargeable against Council Tax - for example £24.4m Capital Expenditure charged against Council Tax.

In summary, the Annual Financial and Performance Report in column (a) shows transactions required by accounting standards to be included in the Comprehensive Income and Expenditure Statement that. It also includes transactions reversing these amounts, which in isolation form part of the Movement in Reserves Statement. Amongst other reclassifications, column (b) removes the reversing transactions, but leaves in the original transactions included to comply with accounting standards for the Comprehensive Income and Expenditure Statement. Column (d) then in turn removes these original transactions, as well as adding in additional chargeable amounts to show the true position on the General Fund balance – nil.

2015-16 Expenditure Funding Analysis

The Expenditure and Funding Analysis for 31 March 2016 is as follows:

	Net Expenditure in the CIES £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure Chargeable to the General Fund £000
Health and Wellbeing	126,206	-4,096	122,110
Children's Services	122,049	-58,946	63,103
Department of Place	109,144	-35,037	74,107
Revenues & Benefits	5,754	0	5,754
Chief Executive	4,953	-319	4,634
Corporate Services (Excluding Revenues and Benefits)	61,162	-18,472	42,690
Non Service Budgets	1,428	5,572	7,000
Central Budget & Net Transfers to Reserves	24,051	-7	24,044
Net Cost of Services	**454,747**	**-111,305**	**343,442**
Other Operating Expenditure	6,514	-5,242	1,272
Financing and Investment income and expenditure	60,955	-24,386	36,569
Taxation and non-specific grant income	-436,880	32,812	-404,068
Earmarked Reserves	0	-11,815	-11,815
Reduction in School Delegated Balances	0	-4,553	-4,553
Statutory Provision for the financing of capital investment	0	32,162	32,162
Capital Expenditure charged against the General Fund	0	6,706	6,706
Financial Instruments Adjustment Account	0	285	285
Surplus (-)/Deficit on Provision of Services	**85,336**	**-85,336**	**0**
General Fund Balance brought forward			10,803
General Fund Balance carried forward			10,803

2016-17 Analysis of Accounting Adjustments

	Earmarked Reserves	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other differences (Employee Accrual)	Other differences (Collection Fund & Financial Instruments)	Total adjustments
	£000	£000	£000	£000	£000	£000
Health and Wellbeing	0	1,212	2,292	-4	0	3,500
Childrens Services	0	27,266	3,627	526	0	31,419
Department of Place	0	27,331	4,356	10	0	31,697
Revenues & Benefits	0	0	0	0	0	0
Chief Executive	0	0	268	-10	0	258
Corporate Services (Excluding Revenues and Benefits)	0	3,642	3,498	40	0	7,180
Non Service	0	-657	-11,395	1	0	-12,051
Central Budget & Net Transfers to Reserves	0	5	0	0	0	5
Net Cost of Services	**0**	**58,799**	**2,646**	**563**	**0**	**62,008**
Other Operating Expenditure	**0**	127,217	0	0	0	127,217
Financing and Investment income and expenditure	**0**	-3,388	23,091	0	0	19,703
Taxation and non-specific grant income	**0**	-39,240	0	0	-4,986	-44,226
Earmarked Reserves	6,156	0	0	0	0	6,156
Reduction in School Delegated Balances	8,585	0	0	0	0	8,585
Minimum Revenue Provision	0	-24,376	0	0	0	-24,376
Direct Revenue Financing	0	-4,306	0	0	0	-4,306
Financial Instrument Adjustment Account	0	0	0	0	-285	-285
Total Adjustments between accounting basis & funding basis under regulations	**14,741**	**114,706**	**25,737**	**563**	**-5,271**	**150,476**

2015-16 Analysis of Accounting Adjustments

	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	0	1,514	2,568	14	0	4,096
Childrens Services	0	54,502	5,722	-1,278	0	58,946
Department of Place	0	30,072	4,956	9	0	35,037
Revenues & Benefits	0	0	0	0	0	
Chief Executive	0	0	336	-17	0	319
Corporate Services (Excluding Revenues and Benefits)	0	14,492	3,930	50	0	18,472
Non Service	0	-430	-5,149	7	0	-5,572
Central Budget & Net Transfers to Reserves	0	7	0	0	0	7
Net Cost of Services	**0**	**100,157**	**12,363**	**-1,215**	**0**	**111,305**
Other Operating Expenditure	0	5,242	0	0	0	5,242
Financing and Investment income and expenditure	0	1,760	22,626	0	0	24,386
Taxation and non-specific grant income	0	-36,777	0	0	3,965	-32,812
Earmarked Reserves	11,815	0	0	0	0	11,815
Reduction in School Delegated Balances	4,553	0	0	0	0	4,553
Minimum Revenue Provision	0	-32,162	0	0	0	-32,162
Direct Revenue Financing	0	-6,706	0	0	0	-6,706
Financial Instrument Adjustment Account	0	0	0	0	-285	-285
Total Adjustments between accounting basis & funding basis under regulations	**16,368**	**31,514**	**34,989**	**-1,215**	**3,680**	**85,336**

Note 24. Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2015-16 or 2016-17.

Note 25. Trading Services

Trading services are mainly activities of a commercial nature, which are financed substantially by charges made to recipients of the service. The tables below show the financial performance of trading services in 2015-16 and 2016-17:

Trading Services Surplus (-) / Deficit

2015-16 Surplus (-) /Deficit £000 Restated		2016-17 Turnover £000	2016-17 Surplus (-) /Deficit £000
-384	School & welfare catering	-17,795	-540
164	Other catering	-362	127
1,452	Building cleaning	-261	1,278
1,232	**Total**	**-18,418**	**865**

Trading Services Included in Net Cost of Services

2015-16 Surplus (-) /Deficit £000		2016-17 Turnover £000	2016-17 Surplus (-) /Deficit £000
-247	Markets	-2,721	-861
-4,425	Car parks	-5,420	-4,366
-208	Trade refuse	-2,983	-137
-4,880	**Total**	**-11,124**	**-5,364**

The services have been shown in the Comprehensive Income and Expenditure Statement. Those in the first table have been included in Financing & Investment Income and Expenditure (see note 8b). Traded Services in the second table have been included in the net cost of services, in the Comprehensive Income and Expenditure Statement.

Note 26. Agency Services

The Council provides payroll services to a number of external organisations, including Academy Schools and Colleges of Further Education. The payroll records for the external organisations do not form part of the Council's financial statements. However, the costs of administrating this service and the income received from the external organisations in return for the service are included in the Council's financial statements. In 2016-17, the Council received £0.563m income (£0.624m in 2015-16) from external organisations.

The Council also provides accountancy support to a number of external Trusts, which is provided free of charge.

Note 27. Road Charging Schemes

The Council did not undertake or operate any road charging schemes in 2016-17 or 2015-16.

Note 28. Pooled Budgets Arrangements Under Section 31 of the Health Act 1999, and Section 75 of the Health Act 2006

Community Equipment Service Section 31 Agreement

The Council entered into a formal Section 31 pooled budget arrangement for this service from April 2004. From 2016-17, this arrangement was with the Bradford District Clininal Commissioning Group (CCG). A summary of contributions and expenditure is shown below.

	2015-16	2016-17
	£000	£000
Funding provided		
Council	1,147	1,147
CCG	1,147	1,147
	2,294	**2,294**
Expenditure	3,332	2,832
Net overspend	**1,038**	**538**
Council share of the net overspend arising on the pooled budget	519	269

In 2016-17 there was an agreement between the Council and the CCG that any overspend on the pooled budget would be shared jointly.

Better Care Fund

	2015-16	2016-17
	Restated	
	£000	£000
Funding provided		
Bradford & Airedale Community Equipment	1,147	1,412
Care Bill Implementation support	1,350	1,366
Protect Social Services	15,127	14,672
Reablement	1,485	1,502
Carers	911	925
Capital Funding	3,208	3,519
Total LA Better Care Fund	**23,228**	**23,396**
CCG's Better Care Fund	14,117	14,694
Total Better Care Fund	**37,345**	**38,090**

The Better Care Fund (BCF) is a programme spanning both the NHS and local government. It has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with "wraparound" fully integrated health and social care, resulting in an improved experience and better quality of life.

The BCF agreement has been set up under Section 75 of the NHS Act 2006. The total BCF in 2016-17 was £38.1m. It is a pooled budget with Bradford City CCG, Bradford Districts CCG and part of Airedale, Wharfedale and Craven CCG.

Note 29. Termination Benefits

In 2016-17 the Council incurred voluntary and compulsory redundancy costs of £0.274m (£1.150m in 2015-16) together with £1.936m (£2.082m in 2015-16) for early retirement pension costs. The costs relate to the Council's plans to reduce its expenditure to help to offset the impact of significant Government grant reductions.

Note 30. Pension Schemes Accounted For As Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme had 7,722 participating employers in 2015-16, including 174 local authorities, and, consequently, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total expected contributions into the Teachers' Pension Scheme during the year ending 31 March 2017, the Council's own contributions equate to approximately 0.30%.

In 2016-17, the Council paid £18.892m to Teachers' Pensions in respect of teachers' retirement benefits, representing 16.48% of pensionable pay. The figures for 2015-16 were £21.855m and 14.1% up to 31 August 2015 and 16.48% from 1 September 2015. There were contributions remaining payable at the year-end of £1.319m. The contributions due to be paid in the next financial year are estimated to be £21.300m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

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

A number of Council employees are also members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department for Health (DoH). The Scheme provides the relevant employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme had 9,065 participating employers as at 31 March 2016, including 142 local authorities, and, consequently, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total expected contributions into the NHS Pension Scheme during the year ending 31 March 2017, the Council's own contributions equate to approximately 0.002%.

In 2016-17, the Council paid £0.170m to NHS Pensions in respect of the relevant employees' retirement benefits, representing 14.3% of pensionable pay. The figures for 2015-16 were £0.198m and 14.3%. There were contributions remaining payable at the year-end of £0.014m. The contributions due to be paid in the next financial year are estimated to be £0.177m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS Pension Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

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

Note 31. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme, administered through a number of separate regional funds. The Council is a member of the West Yorkshire Pension Fund – this is a funded 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 2013 for the three years 1 April 2014 to 31 March 2017. The contribution rates set by the actuary are intended to balance the fund's liabilities with the investment assets over the period. The employer contribution rate for the year 2016-17 in respect of Bradford members of the West Yorkshire Pension Fund was 14.2%.

- Arrangements for the award of discretionary post retirement benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The West Yorkshire Pension Fund pension scheme is operated under the regulatory framework for the Local Government Pension Scheme. City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF) with statutory responsibility for the management and administration of the Fund, has delegated legal and strategic responsibility for the WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Policy is determined in accordance with the Pensions Fund Regulations. The Fund's entire investment portfolio is managed on a day to day basis in-house, supported by the Fund's external advisers.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute, as described in the accounting policies note.

Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax (i.e. the statutory amount charged against the General Fund balance) is based on the cash payable in the year (i.e. the total contribution paid by the Council under the pension regulations), so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		**Local Government Pension Scheme Discretionary Benefits Arrangements**		**Teachers Voluntary Early Retirement Discretionary Benefits Arrangements**		**Total**	
	2015-16 £000	**2016-17 £000**	**2015-16 £000**	**2016-17 £000**	**2015-16 £000**	**2016-17 £000**	**2015-16 £000**	**2016-17 £000**
Comprehensive Income and Expenditure Statement								
Cost of Services:								
• Current service cost*	55,897	51,162	0	0	0	0	55,897	51,162
• Past service costs	2,030	1,838	0	0	0	0	2,030	1,838
• Gain (-) / loss from settlements	-1,575	-7,963	0	0	0	0	-1,575	-7,963
Financing and Investment Income and Expenditure								
• Net interest expense	18,322	18,756	1,584	1,592	2,720	2,743	22,626	23,091
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**74,674**	**63,793**	**1,584**	**1,592**	**2,720**	**2,743**	**78,978**	**68,128**
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)	46,303	-281,591	0	0	0	0	46,303	-281,591
• Actuarial gains (-) and losses arising on changes in demographic assumptions	0	-58,786	0	-512	0	-287	0	-59,585
• Actuarial gains (-) and losses arising on changes in financial assumptions	-87,754	497,124	-1,403	4,199	-2,415	7,824	-91,572	509,147
• Actuarial gains (-) and losses due to liability experience	-20,731	-62,953	-899	-508	-1,547	-514	-23,177	-63,975
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**12,492**	**157,587**	**-718**	**4,771**	**-1,242**	**9,766**	**10,532**	**172,124**
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	-74,674	-63,793	-1,584	-1,592	-2,720	-2,743	-78,978	-68,128
Actual amount charged against the General Fund balance for pensions in the year:								
• Employers' contributions payable to the scheme	**34,483**	**33,129**	**0**	**0**	**0**	**0**	**34,483**	**33,129**
• Retirement benefits payable to pensioners	**0**	**0**	**3,643**	**3,481**	**5,863**	**5,781**	**9,506**	**9,262**

* The current service cost includes an allowance for the administration expenses of £0.662m in 2016-17 (£0.686m in 2015-16).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total Per Balance sheet	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
	£000	£000	£000	£000	£000	£000	£000	£000
Present value of the defined benefit obligation	2,306,077	2,702,567	48,532	49,822	83,535	87,520	2,438,144	2,839,909
Fair value of plan assets	1,738,002	2,010,034	0	0	0	0	1,738,002	2,010,034
Impact of Minimum Funding Requirement / Asset Ceiling	0	0	0	0	0	0	0	0
Net liability arising from defined benefit obligation - Closing balance at 31 March	**568,075**	**692,533**	**48,532**	**49,822**	**83,535**	**87,520**	**700,142**	**829,875**

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	
	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17
	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance at 1 April	**1,750,856**	**1,738,002**	**0**	**0**	**0**	**0**	**1,750,856**	**1,738,002**
Interest income on assets	55,704	58,647	0	0	0	0	55,704	58,647
Re-measurement gains and losses (-) on assets	-46,303	281,591	0	0	0	0	-46,303	281,591
Contributions from employer	34,483	33,129	3,643	3,481	5,863	5,781	43,989	42,391
Contributions from employees into the scheme	14,451	13,940	0	0	0	0	14,451	13,940
Benefits paid*	-68,347	-74,126	-3,643	-3,481	-5,863	-5,781	-77,853	-83,388
Settlements	-2,842	-41,149	0	0	0	0	-2,842	-41,149
Closing balance at 31 March	**1,738,002**	**2,010,034**	**0**	**0**	**0**	**0**	**1,738,002**	**2,010,034**

* consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Local Government Pension Scheme Discretionary Benefits		Unfunded Liabilities: Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000	2015-16 £000	2016-17 £000
Opening balance at 1 April	**2,340,922**	**2,306,077**	**52,893**	**48,532**	**90,640**	**83,535**	**2,484,455**	**2,438,144**
Current service cost	55,897	51,162	0	0	0	0	55,897	51,162
Interest cost	74,026	77,403	1,584	1,592	2,720	2,743	78,330	81,738
Contributions from scheme participants	14,451	13,940	0	0	0	0	14,451	13,940
Re-measurement gains (-) and losses:								
Actuarial gains (-) and losses arising from changes in demographic assumptions	0	-58,786	0	-512	0	-287	0	-59,585
Actuarial gains (-) and losses arising from changes in financial assumptions	-87,754	497,124	-1,403	4,199	-2,415	7,824	-91,572	509,147
Actuarial gains (-) and losses due to liability experience	-20,731	-62,953	-899	-508	-1,547	-514	-23,177	-63,975
Past service costs	2,030	1,838	0	0	0	0	2,030	1,838
Benefits paid	-68,347	-74,126	-3,643	-3,481	-5,863	-5,781	-77,853	-83,388
Liabilities extinguished on settlements	-4,417	-49,112	0	0	0	0	-4,417	-49,112
Closing balance at 31 March	**2,306,077**	**2,702,567**	**48,532**	**49,822**	**83,535**	**87,520**	**2,438,144**	**2,839,909**

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

Active Members	37%
Deferred Pensioners	15%
Pensioners	48%

Local Government Pension Scheme Assets

Assets in the West Yorkshire Pension Fund are valued at fair value (principally, market value for investments). The following table shows the value of each category of asset and expresses it as a percentage of the total value.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Asset Category	**31 March 2016 £000 Total**	**31 March 2016 % Total**	**31 March 2017 £000 Quoted**	**31 March 2017 % Quoted**	**31 March 2017 £000 Unquoted**	**31 March 2017 % Unquoted**	**31 March 2017 £000 Total**	**31 March 2017 % Total**
Equity investments	1,306,978	75.2	1,413,056	70.3	138,692	6.9	1,551,748	77.2
Government bonds	185,966	10.7	203,013	10.1	0	0.0	203,013	10.1
Other bonds	79,948	4.6	78,391	3.9	0	0.0	78,391	3.9
Cash	22,594	1.3	24,120	1.2	0	0.0	24,120	1.2
Property	85,162	4.9	86,431	4.3	0	0.0	86,431	4.3
Other assets	57,354	3.3	28,140	1.4	38,191	1.9	66,331	3.3
Total	**1,738,002**	**100.00**	**1,833,151**	**91.2**	**176,883**	**8.8**	**2,010,034**	**100.00**

For a disaggregation of the fair value of the plan assets into classes that distinguish the nature and risks of those assets, please refer to:

- the West Yorkshire Pension Fund Financial Statements and Explanatory Notes in City of Bradford Metropolitan District Council's accounts, 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 Hewitt Limited, an independent firm of actuaries, with estimates for the West Yorkshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2016. The significant assumptions used in the Actuary's assessments of assets and liabilities have been:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits	
	31 March 2016	**31 March 2017**	**31 March 2016**	**31 March 2017**	**31 March 2016**	**31 March 2017**
Mortality Assumptions	years	years	years	years	years	years
Longevity at 65 for current pensioners (aged 65 at accounting date):						
Men	22.7	22.1	22.7	22.1	22.7	22.1
Women	25.6	25.2	25.6	25.2	25.6	25.2
Longevity at 65 for future pensioners (aged 45 at accounting date):						
Men	24.9	23.0	-	-	-	-
Women	28.0	27.0	-	-	-	-
Commutation i.e. take-up of option to convert annual pension into retirement lump sum	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.	-	-	-	-
Financial assumptions	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Rate of RPI inflation	2.9	3.1	2.9	3.1	2.9	3.1
Rate of CPI Inflation	1.8	2.0	1.8	2.0	1.8	2.0
Rate of increase in salaries	3.3	3.25	-	-	-	-
Rate of increase in pensions	1.8	2.0	1.8	2.0	1.8	2.0
Discount rate	3.4	2.5	3.4	2.5	3.4	2.5

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in mortality/longevity, for example, assume that post-retirement mortality age rating increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Impact on the Defined Benefit Obligation in the Scheme

	Present Value of the Defined Benefit Obligation After Increase in Assumption	Change in Present Value of Defined Benefit Obligation	Present Value of Defined Obligation Benefit After Decrease in Assumption	Change in Present Value of Defined Benefit Obligation
	£000	%	£000	%
Mortality/Longevity i.e. Post-retirement mortality age rating * - increase or decrease by 1 year	2,621,094	-3.0	2,784,601	3.0
Rate of increase in salaries - increase or decrease by 0.1%	2,712,439	0.4	2,692,786	-0.4
Rate of increase in pensions - increase or decrease by 0.1%	2,741,121	1.4	2,664,608	-1.4
Discount rate i.e. Rate for discounting scheme liabilities - increase or decrease by 0.1%	2,654,911	-1.8	2,751,079	1.8

* an increase by 1 year means that members are assumed to follow the mortality pattern for an individual that is 1 year older than them.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 22 years from 1 April 2014. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2017 are £40.000m.

The total contributions expected to be made for the Local Government Pension Scheme Discretionary Benefits scheme and the Teachers Voluntary Early Retirement Discretionary Benefits scheme in the year to 31 March 2017 are £3.516m and £5.839m, respectively.

The weighted average duration of the funded defined benefit obligation for the Local Government Pension Scheme (LGPS) is 17.8 years at 31 March 2017 (18.4 years at 31 March 2016).

The weighted average duration of the unfunded defined benefit obligation for Local Government Pension Scheme (LGPS) Discretionary Benefits is 9.6 years at 31 March 2017 (12 years at 31 March 2016) & the weighted average duration of the unfunded defined benefit obligation for Teachers Voluntary Early Retirement Discretionary Benefits is 10.0 years at 31 March 2017 (12 years at 31 March 2016).

Note 32. Members' Allowances

- The total cost to the Council in respect of Members' allowances in 2016-17 was £1,933,455 and £30,302 expenses (£1,971,671 and £19,742 expenses in 2015-16). Excluding Employers National Insurance contributions directly paid over to Central Government, the cost of Members Allowances in 2016-17 was £1,781,534 and £30,302 expenses (£1,831,789 and £19,742 expenses in 2015-16)

Note 33. Employees' Remuneration

Authorities are required to disclose information on employees' remuneration in excess of £50,000 per annum. Remuneration is defined in the regulations as:

- All amounts paid to or receivable by an employee
- Expense allowances chargeable to tax
- The estimated money value of any other benefits received by an employee otherwise than in cash

Number of Employees 2015-16	Employees Emoluments	Number of Employees 2016-17
184	£50,000 - £54,999	153
112	£55,000 - £59,999	84
66	£60,000 - £64,999	61
48	£65,000 - £69,999	46
30	£70,000 - £74,999	21
20	£75,000 - £79,999	16
18	£80,000 - £84,999	18
9	£85,000 - £89,999	6
6	£90,000 - £94,999	5
3	£95,000 - £99,999	4
2	£100,000 - £104,999	2
3	£105,000 - £109,999	1
0	£110,000 - £114,999	1
0	£115,000 - £119,999	0
0	£120,000 - £124,999	0
0	£125,000 - £129,999	1
501	Total	419

The above figures include 293 teachers (362 in 2015-16).

The above table includes compensation payments for loss of employment

Senior Officers Remuneration

The following tables set out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

A Senior Officer is defined as an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is:

a) The designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989
b) The head of staff for a relevant body which does not have a designated head of paid service; or
c) Any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

2016-17 Senior Officers with a salary less than £150k per annum (excluding Employer Pension contributions)								
Post Title	Note	Salary including fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Interim Strategic Director Adult & Community Service	C	48,880				48,880	7,003	55,883
Strategic Director Health and Wellbeing	C	72,681				72,681	10,321	83,002
Strategic Director – Children's Services		137,845				137,845	19,574	157,419
Director of Human Resources		97,342				97,342	13,822	111,164
Strategic Director Environment & Sport	D	86,504				86,504	12,296	98,800
Strategic Director - Place	D	32,164				32,164	4,555	36,719
Strategic Director – Regeneration and Culture	D	86,504				86,504	15,781	102,285
Interim City Solicitor	A	14,925				14,925	0	14,925
City Solicitor	A/B	84,333				84,333	11,975	96,308
Director of Finance	D	83,922				83,922	11,931	95,853
Strategic Director – Corporate Services	D	32,164				32,164	4,553	36,717
Director of Public Health		104,410				104,410	14,931	119,341
Director of West Yorkshire Pension Fund		97,342				97,342	13,822	111,164
Assistant Director – Office of the Chief Executive	E	20,358				20,358	2,891	23,249

2015-16 Senior Officers with a salary less than £150k per annum (excluding Employer Pension contributions)								
Post Title	Note	Salary including fees & Allowances	Expense Allowances	Comp'n for loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Strategic Director Adult & Community Service	H	28,871				28,871	4,100	32,971
Interim Strategic Director Adult & Community Service	I	80,314				80,314	11,405	91,719
Strategic Director – Children's Services		136,480				136,480	19,380	155,860
Director of Human Resources		95,912				95,912	13,619	109,531
Strategic Director Environment & Sport		111,283				111,283	15,802	127,085
Stategic Director – Regeneration and Culture		111,283				111,283	15,802	127,085
Acting City Solicitor	B/K	86,921				86,921	12,343	99,264
Interim City Solicitor	A/J	9,105				9,105	0	9,105
Director of Finance		110,000				110,000	15,620	125,620
Director of Public Health		104,410				104,410	14,931	119,341
Director of West Yorkshire Pension Fund		96,378				96,378	13,686	110,064

The Interim City Solicitor costs shown in the table above for 2015-16 have been restated. The costs have been increased by £480 from £8,625 to £9,105.

Senior Officers' Remuneration

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

2016-17 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)								
Post Title and Holder	Note	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Chief Executive - Kersten England	B	207,411				207,411	29,199	236,610

2015-16 Senior Officers with salary more than £150k per annum (excluding Employer Pension contributions)								
Post Title and Holder	Note	Salary including Fees & Allowances	Expense Allowances	Comp'n for Loss of Office	Benefits in kind	Total Remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
		£	£	£	£	£	£	£
Acting Chief Executive – Suzan Hemingway	B/G	73,013				73,013	10,368	83,381
Chief Executive - Kersten England	B/F	118,024				118,024	16,759	134,783

Notes:

A. Contracted annualised salary excludes honorariums, extra duty payments and transport allowances, as well an expense allowances and employer pension contributions. They also show the cost for a full financial year, regardless of how long the postholder was in post. The annualised salary also shows the salary grade at the end of the financial year, even though an increment may have been received part way through the year. The contracted annualised salaries of the Senior Officers posts are as follows:

<u>Annualised Salary for 2016-17</u>

Chief Executive – Kersten England - £180,261
Director of Finance – £111,100
Strategic Director – Corporate Services - £131,483
Strategic Director Children's Services – £137,845
(Interim) Strategic Director Adult and Community Services – £110,278
Strategic Director – Health and Wellbeing - £131,483
Strategic Director Regeneration and Culture – £114,518
Strategic Director Environment and Sport –£114,518
Strategic Director – Place - £131,483
Interim City Solicitor – £135,600*
City Solicitor - £91,933
Director West Yorkshire Pension Fund – £97,342
Director of Public Health – £99,910
Director of Human Resources – £97,342
Assistant Director of the Office of the Chief Executive £83,282

<u>Annualised Salary for 2015-16</u>

Chief Executive – Kersten England - £178,476
Acting Chief Executive – Suzan Hemingway - £178,476
Director of Finance – £110,000
Strategic Director Children's Services – £136,480
Strategic Director Adult and Community Services – £115,486
Interim Strategic Director Adult & Community Services – £107,086
Strategic Director Regeneration and Culture – £111,283
Strategic Director Environment and Sport –£111,283
Acting City Solicitor – £92,808
Interim City Solicitor - £135,600*
Director West Yorkshire Pension Fund – £96,378
Director of Public Health – £99,910
Director of Human Resources – £96,378

*The Interim City Solicitor was in post from 7 March 2016 to 19 May 2016. The annualised salary has been calculated based on the daily rate paid for the Interim City Solicitor. The City Solicitor started on 16 May 2016.

B The following amounts were paid in 2016-17 for election duties and are included in salaries.
Chief Executive – Kersten England - £27,150 (£13,704 2015-16)
City Solicitor - £3,768 (£0 2015-16)
Acting Chief Executive – Suzan Hemingway £0 (£13,521 2015-16)
Acting City Solicitor £0 (£3,867 2015-16)

C The Strategic Director – Health and Wellbeing started on 12 September 2016. The post of Strategic Director – Health and Wellbeing superseded the post of Interim Strategic Director Adult & Community Service.

D The Director of Finance, Strategic Director Environment and Sport and Strategic Director of Regeneration and Culture roles operated from 1 April 2016 to 2 January 2017. On 3 January the Director of Finance became the Strategic Director Corporate Services. Also on 3 January the Strategic Director Environment and Sport became the Strategic Director Place. The costs shown for the Strategic Director Corporate Service and Strategic Director Place are from 3 January to 31 March.

E The post of Assistant Director – Office of the Chief Executive started on 3 January and the costs shown are from the 3 January to 31 March.

Notes relating to Senior Officers Remuneration 2015-16 only below:

F The Chief Executive started in post on 3 August 2015.

G The Acting Chief Executive left the post on 2 August 2015.

H The Strategic Director - Adult & Community Services left the post on 30 June 2015.

I The Interim Strategic Director - Adult & Community Service started this post on 1 July 2015.

J The Interim City Solicitor started this post on 7 March 2016.

K The Acting City Solicitor left the post on 6 March 2016.

Exit Packages

The total cost to the Council of exit packages includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The exit packages are classified into compulsory redundancies and other departures.

Compulsory Redundancies				
Number of Exit Packages 2015-16	Cost to Council 2015-16	Cost Bandings	Number of Exit Packages 2016-17	Cost to Council 2016-17
	£			£
26	217,309	£0 - £19,999	11	79,250
5	116,750	£20,000 - £39,999	1	24,308
5	243,588	£40,000 - £59,999	1	57,938
0	0	£60,000 - £79,999	1	69,592
0	0	£80,000 - £99,999	1	91,739
0	0	£100,000 - £149,999	0	0
0	0	£150,000 - £199,000	0	0
36	**577,647**	**Total**	**15**	**322,827**

Other Departures				
Number of Exit Packages 2015-16	Cost to Council 2015-16	Cost Bandings	Number of Exit Packages 2016-17	Cost to Council 2016-17
	£			£
127	791,970	£0 - £19,999	84	697,502
20	564,684	£20,000 - £39,999	18	506,249
7	332,236	£40,000 - £59,999	9	451,790
7	457,618	£60,000 - £79,999	7	599,804
6	528,451	£80,000 - £99,999	4	357,734
4	460,104	£100,000 - £149,999	5	571,922
0	0	£150,000 - £199,000	0	0
171	**3,135,063**	**Total**	**127**	**3,145,000**

Note 34. Capital Charges and the Repayment of External Loans

Services have been charged or credited within the Comprehensive Income and Expenditure Statement for:

- The depreciation and impairment of fixed assets.
- Expenditure on Revenue Expenditure Funded from Capital under Statute (REFCUS).

These charges are not required by statute and have therefore been removed when calculating the Movement on the General Fund Balance.

In their place, the Council is required to make a statutory minimum revenue provision for the repayment of debt*.* A change was made to the MRP policy in 2016-17 and this was approved by Council at its meeting on the 25th February 2016. The Council has based the 2016-17 statutory general fund minimum revenue provision on asset life method calculated on an equal instalment basis for supported borrowing and on the asset life method for unsupported borrowing.

The MRP for 2016-17 is £24.376m (2015-16 £32.162m).

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 £4.306m in 2016-17 (£6.706m in 2015-16) is not shown in the Comprehensive Income and Expenditure Account but is charged to the General Fund and shown in the Movement in Reserves Statement.

Profit or Loss on the Disposal of Assets and Investments

Profits or losses arising on the disposal of assets are charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The loss on disposal of £126.559m in 2016-17 is made up of £131.788m from the de-recognition of assets and £5.229m in capital receipts. There was a loss on disposal in 2016-17 largely because of 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 35. Leases

Council as Lessee

Finance Leases
The Council has a number of assets which have been acquired under finance leases. These include Industrial Units, vehicles, IT equipment and photocopiers.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2016	Finance Leases as Lessee	31 March 2017
£000		£000
97	Other land and Buildings	72
932	Vehicles, Plant, Furniture and Equipment	371
1,029	**Total**	**443**

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 2016	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2017
£000		£000
277	Current	143
657	Non-current	303
141	Finance costs payable in future years	64
1,075	**Total Minimum Lease Payments**	**510**

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

	Minimum Lease Payments		**Finance Lease Liabilities**	
	31 March 2016 £000	**31 March 2017 £000**	**31 March 2016 £000**	**31 March 2017 £000**
Not later than one year	333	174	277	143
Later than one year and not later than five years	742	336	657	303
Later than five years	0	0	0	0
	1,075	**510**	**934**	**446**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The Council has sub-let some of the Industrial Units held under the finance lease. As at the 31 March 2017 the forecast rental income for 2017-18 is £26,000.

No investment property held under operating leases have been classified as finance leases. However, should the economic reality be equivalent to the sale of investment property, these would be treated as finance leases.

Operating Leases

The Council has entered into a number of operating leases for buildings, vehicles, photocopiers and office equipment. The amount charged under these arrangements in the Comprehensive Income and Expenditure Statement during 2016-17 was £2.3m (£2.4m 2015-16).

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

31 March 2016 £000		31 March 2017 £000
2,033	Not later than one year	1,234
4,534	Later than one year and not later than five years	1,802
2,525	Later than five years	2,573
9,092	**Total**	**5,609**

Council as Lessor

Finance Leases

The Council has leased out two properties respectively for 999 and 125 years. The Academy school buildings that are on a 125 year lease are also treated as a finance lease.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the properties acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2016 £000	Finance lease debtor (net present value of minimum lease payments)	31 March 2017 £000
0	Current	0
223	Non-current	223
2,667	Unearned finance income	2,634
2,890	**Gross Investment in the Lease**	**2,857**

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 2016	31 March 2017	31 March 2016	31 March 2017
	£000	£000	£000	£000
Not later than one year	32	26	32	26
Later than one year and not later than five years	154	154	154	154
Later than five years	2,704	2,677	2,704	2,677
	2,890	**2,857**	**2,890**	**2,857**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The gross investment in the leases is assumed to be the same as the minimum lease payments because no residual value has been assumed for the leases at their end date.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- 2 academy schools that are on short-term six year leases.

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

31 March 2016 £000		31 March 2017 £000
2,585	Not later than one year	2,996
4,990	Later than one year and not later than five years	6,604
67,457	Later than five years	68,788
75,032	**Total**	**78,388**

The minimum leases payments receivable do not include rents that are contingent on events after the lease was entered into, such as income based on a percentage of income receipts. In 2016-17 £0.568m contingent rents were receivable by the Council (2015-16 £0.503m).

Note 36. Private Finance Initiative (PFI)

BSF Phase 1 – Provision of three schools

The Council has a 25 year PFI contract for the building and maintenance of three schools under the Building Schools for the Future Phase 1 programme. The contract commenced in August 2008 and expires in August 2033. The Council has rights under the contract to specify the activities undertaken at each school, and the contract specific minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct and maintain the schools to a minimum acceptable condition and to procure and maintain the necessary plant and equipment needed to keep the schools operational. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council would have to pay the contractor substantial compensation if it terminated the contract early without due cause.

2015-16 £000	BSF Private Financing Initiative	2016-17 £000
	Charges to Net Cost of Services	
4,323	Unitary Payments to the Contractor for services provided	4,169
4,323	**Total charges to the revenue account**	**4,169**
	Net Operating Expenditure	
6,535	Interest element of finance lease payments	6,529
	Movement in Reserves Statement	
2,362	Capital element of finance lease	2,408
13,220	**Total PFI charges**	**13,106**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
4,509	Education	4,487
236	Council and Schools contribution	0
13,750	**Total Financing**	**13,492**
530	**Transfer to BSF PFI Reserve**	**386**

The assets used to provide services at the schools are recognised on the Council's Balance Sheet, as regards one Community School. The other school assets are de-recognised because they are Trusts. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March 2017 are as follows:

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 year	12,008	2,343	6,070	3,595
2-5	49,326	10,725	22,027	16,574
6-10	64,819	18,106	21,526	25,187
11-15	68,761	27,386	13,555	27,820
16-20	19,793	10,065	1,853	7,875
Total	**214,707**	**68,625**	**65,031**	**81,051**

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:

2015-16 £000	Analysis of Outstanding Liability for BSF Phase 1	2016-17 £000
73,394	**Balance outstanding at 31 March**	**71,032**
-2,362	Payments during the year	-2,407
71,032	**Balance outstanding at year end**	**68,625**

The closing value of assets held under the scheme at 31 March 2017 was £19.254m (£19.677m 31 March 2016) 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 2017 were £68.625m (£71.032m at 31 March 2016). The decrease of £2.407m 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.

2015-16 £000	BSF Private Financing Initiative	2016-17 £000
	Charges to the Revenue Account	
13,317	Unitary Payments to the Contractor for services provided	8,719
13,317	**Total charges to the revenue account**	**8,719**
	Net Operating Expenditure	
12,142	Interest element of finance lease payments	11,843
	Statement of Movement on the General Fund Balance	
5,923	Capital element of finance lease	5,924
31,382	**Total PFI charges**	**26,486**
	Financed By	
18,296	Government PFI Revenue Grant	18,297
8,522	Education	8,602
4,257	Council and Schools contribution	0
31,075	**Total Financing**	**26,899**
-307	**Transfer to BSF PFI Reserve**	**413**

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

Year	Unitary Charge £000	Principal £000	Interest £000	Service charge and life cycle costs £000
Within 1 yr	25,130	5,868	11,535	7,727
2-5	103,052	20,901	44,137	38,014
6-10	135,012	28,423	52,324	54,265
11-15	142,742	32,186	46,137	64,419
16-20	119,075	29,899	30,964	58,212
Total	**525,011**	**117,277**	**185,097**	**222,637**

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

2015-16 £000	Analysis of Outstanding Liability for BSF Phase 2	2016-17 £000
129,124	**Balance outstanding at 31 March**	**123,201**
-5,923	Payments during the year	-5,924
	Capital Expenditure incurred in the year	
123,201	**Balance outstanding at year end**	**117,277**

The closing value of assets held under the scheme at 31 March 2017 was £26.639m (£40.044m £2015-16) in respect of the BSF Phase 2 scheme. The assets used to provide services at the schools are recognised on the Council's Balance Sheet, as regards one Foundation School and 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 2017 were £117.277m (£123.201m 31 March 2016).

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 £42.893m, per Note 9 page 46 and the total liabilities are £185.902m. The total excess of liabilities over assets for BSF Phase 1 and 2 is £143.009m. This reduces the Council's Net Assets as shown in its Balance Sheet, on page 23, by £143.009m.

Note 37. Capital Expenditure and Financing

The Capital Financing Requirement is the outstanding nominal debt on historic borrowing to finance debt. The Capital Financing Requirement is shown below:

2015-16 £000		2016-17 £000
	Capital Expenditure and Capital Financing Requirement	
679,271	**Opening Capital Financing Requirement**	**665,655**
	Capital investment	
60,203	Property, Plant and Equipment	49,606
-212	Aborted cost on prior year capital expenditure	0
0	Investment properties	0
336	Intangible Assets	316
333	Heritage Assets	521
54	Asset Held for Sale	0
9,965	Revenue Expenditure funded from Capital under statute	11,555
	Sources of Finance	
-5,119	Capital Receipts Applied	-6,416
-39,980	Government grants and other contributions	-38,636
-6,706	Sums set aside from revenue	-4,306
-329	Donated assets	-500
-8,715	Repayment of Principal on PFI and Other Finance Leases	-8,943
-23,262	MRP/loans fund principal	-15,256
0	Miscellaneous other	0
-184	Payments of Principal on Long-Term Liabilities	-177
665,655	**Closing Capital Financing Requirement**	**653,419**
	Explanation of movements in year	
-14,120	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	-12,358
504	Assets acquired under finance leases	122
0	Assets acquired under PFI contracts	0
-13,616	**Increase/ (decrease) in Capital Financing Requirement**	**-12,236**

Note 38. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

There was no balance brought forward at the start of the year. The cost of revenue expenditure funded from capital under statute (REFCUS) in the year was £11.555m (£9.965m in 2015-16). Grants of £8.696m funded this in year REFCUS expenditure (£4.222m in 2015-16), including £3.792m transferred from the Capital Grants Unapplied reserve (£3.111m in 2015-16).

Note 39. Other Long Term Liabilities

The total deferred liabilities at 31 March 2017 are £1,012.286m compared to a total of £891.280m at 31 March 2016. The main liability is in respect of the actuarially calculated pension liability which is £129.733m higher at 31 March 2017 when compared to 31 March 2016.

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 2017 was £185.902m (£194.233m at 31 March 2016), of which £177.691m is a deferred liability and £8.2m a creditor in respect of the 2017-18 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 2017 was £4.085m (£4.255m at 31 March 2016).

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.

2015-16 £000	Other Long Term Liabilities	2016-17 £000
700,142	Pension Liability	829,875
	BSF	
68,625	Phase 1	66,282
117,277	Phase 2	111,409
4,085	Waste Management Joint Committee Debt	3,921
1,151	Other	799
891,280		**1,012,286**

The combined liability shown on the Balance Sheet of PFI Phase 1 and Phase 2 is £185.902m. As with all the Long-Term liabilities and current liabilities, the liability of £185.902m impacts on the Balance Sheet by reducing the net assets of the authority. However, this liability is matched with a government grant for Phase 1 of £9.005m and £18.296m for Phase 2, totalling £27.301, see Note 45, page 90. The Phase 1 grant will be paid until 2033 and the Phase 2 grant will be paid until 2036.

Note 40. Deferred Income

There was no deferred income in 2016-17.

Note 41. Related Party Transactions

The Council has the following Related Party disclosures in relation to the following entities:

West Yorkshire Joint Committee - The West Yorkshire Joint Committee comprises the Councils of Bradford, Leeds, Calderdale, Kirklees and Wakefield. Its services include the Archaeology Advisory Service, Archaeological Services, Archive Service, Ecology, Materials Testing Service, Analytical Services and Trading Standards Service. It has been set-up as a partnership. The Council's share of its expenses is included below in this note, see Other Public Bodies.

Bradford Council makes an annual financial contribution to the West Yorkshire Joint Committee, based on its share of the service cost, and is represented on the management board. All the financial contributions are made on an annual basis. The Board manages the financial position and financial performance of the Joint Committee.

Combined Authority - The Combined Authority comprises the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield and includes York as an associate. The Leader of Bradford Council is a member of the Combined Authority. The West Yorkshire Transport Fund became a committee of the Combined Authority during 2014-15; Bradford's share of expenditure of this is shown separately below in this note, see Other Public Bodies.

In future years, it is anticipated that the Combined Authority will receive capital grants, which will be spend on transport infrastructure projects across West Yorkshire.

The 2016-17 financial year was the third year of operation. The value of its financial transactions is expected to expand in future years.

Leeds City Region - The Leeds City Region comprises the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield, York, Barnsley, Harrogate, Craven, Selby and North Yorkshire. It was set-up by a partnership agreement. The organisation accounts for grants held for the purpose of capital investment projects across the West Yorkshire Region.

The accountable body for the Leeds City Region in the West Yorkshire Combined Authority.

While the Leeds City Region holds significant capital grants, the cash flows are managed by Leeds City Council and a separate statement of accounts prepared. The accounts are subject to audit.

Business Rates Pool - The Business Rates Pool comprises the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield, York and Harrogate. Councils currently receive a 49% share of Business Rates, replacing direct government funding. The Pool redistributes levy income that would otherwise be paid over to Central Government.

Revolving Infrastructure Investment Fund - This fund is a Limited Liability Partnership comprising the Councils of Bradford, Leeds, Calderdale, Kirklees, Wakefield, York and Harrogate. It has been set up with the purpose of giving loans for infrastructure development across West Yorkshire. No loans have been agreed to date.

The Council has the following Related Party Disclosures:

Authorities are required to disclose transactions between themselves and related parties. In this context related parties are individuals or bodies which have the potential to influence or control the Council or to be influenced or controlled by the Council. The following information is provided.

Central Government

The UK Government provides the statutory framework within which the Council operates, provides the majority of Council funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties. Details of Government grants for revenue purposes are set out in Note 45 which identifies the cash grants received in the year for inclusion in the Cash Flow Statement (page 24).

Members

The Leader and Portfolio Holders are responsible for the direct control of the policies of the Council. Therefore where the Council enters into material financial transactions with other entities over which the Leader and Portfolio Holder also exert influence, this is declared below.

The Council's Leader is a member of the West Yorkshire Combined Authority. The Council contributed £23.981m in revenue funding to the Transport Committee of the West Yorkshire Combined Authority in 2016-17 and received from the Committee a capital grant of £8.2m, see Other Public Bodies below.

The Council's Leader is also a member of the West Yorkshire Joint Services, Archives, Archaeology and Trading Standards Committee. The Council contributed £0.796m revenue funding towards West Yorkshire Joint Services in 2016-17. The Employees' Remuneration Note 33 can be viewed on p75.

The register of Members' interests is held by the Member Support Section within City Hall, Bradford and is available for public inspection as required by the code of conduct adopted by the Council in accordance with section 51 of the Local Government Act 2000 and the Local Authority (Model Code of Conduct) (England) Regulations 2001, made under section 50 of that Act. Chief Officers were requested to complete a voluntary declaration of any relevant transactions with the Council or between the Council and third parties with which they have some relationship. This resulted in there being no other material transactions to disclose. The Members' Allowances Note 32 can be viewed on p75.

Chief Officers

The Pension Fund has an investment in Montanaro European Smaller Companies Fund Plc, which at 31 March 2017 was valued at £24.67m, which has an original cost of £4.9m. There has been no investment activity with the Fund during 2016-17. The Director of West Yorkshire Pension Fund is a non-executive director of Montanaro European Smaller Companies Fund Plc, for which a fee is received.

West Yorkshire Pension Fund

The Council administers the West Yorkshire Pension Fund. In 2016-17 it charged the Fund £0.347m in respect of support services provided (£0.438m in 2015-16). The charge includes financial, legal and IT services.

Other Public Bodies

Revenue transactions with precepting authorities, joint committees and other related bodies in the year were:

2015-16 £000	Other Public Bodies	2016-17 £000
	Payment of precepts	
7,627	West Yorkshire Fire and Rescue Authority	7,971
18,363	Police and Crime Commissioner West Yorkshire	19,485
1,265	Parish Councils	1,407
25,693	Payments to joint committees, joint services and other bodies	*25,562
23	Parish Councils (running expenses and allotment grants)	5

*Includes a revenue contribution of £23.981m to the Transport Committee of the West Yorkshire Combined Authority. In addition, the Council received a £8.2m (£8.6m in 2015-16) capital grant payment from the same Committee.

Subsidiary and Associated Companies

The Council had financial relationships in 2016-17 with the following companies. Their assets and liabilities are not included in the Council's accounts. Transactions with the companies in 2016-17 were:

Integrated Bradford LEP Ltd (5797774) In December 2006, the Council took a £1,000, (10%) interest in the Local Education Partnership, Integrated Bradford LEP Limited, a private limited company. The company was set up to deliver the capital investment programme in Bradford secondary schools funded through the government initiative Building Schools for the Future.

CBMDC Building Schools for the Future Ltd, (6015434) is a private limited company and a wholly owned subsidiary of Bradford Council. It was incorporated on 30 November 2006 with the sole purpose to make a loan to Integrated Bradford LEP Fin Co One Ltd (5797779). The outstanding balance as at 31 March 2017 was £81,000 (31 March 2016 £84,000).

Bradford District Apprenticeship Training Agency (8424557) was incorporated on 28 February 2013 as a private limited company by guarantee without share capital. The subscribers to the company are Bradford College and the Council. The objects of the company are detailed in the memorandum of association documents freely available from companies house.

Canal Road Urban Village Ltd, (07084958) is a private limited company incorporated on 24 November 2009. The City of Bradford Metropolitan District Council owns 199 Ordinary B shares. The objects of the company are detailed in the memorandum of association documents freely available from companies house.

Leeds Bradford Airport Ltd (2065958), formerly known as Leeds Bradford International Airport Ltd (12/10/94 – 01/07/15), formerly known as Leeds Bradford Airport Ltd (01/12/86 – 12/10/94), formerly known as Inlandlaunch Ltd (21/10/86 – 01/12/86). The company was incorporated on 21 October 1986. 1 Special Share is owned by Leeds City Council and City of Bradford Metropolitan District Council. The objects of the company are detailed in the memorandum of association documents freely available from companies house.

DHEZ Ltd (09706126) was incorporated as a private limited company on 28 July 2015. 10 shares (10%) are owned by City of Bradford Metropolitan District Council. The objects of the company are detailed in the memorandum of association documents freely available from companies house.

Details of the Council's long term investment in Integrated Bradford LEP Ltd, is shown in Note 16 on Long Term Investment

In 2016-17 the Council received a £0m interim dividend from our 10% investment in Integrated Bradford LEP (£0m 2015-16)

CBMDC Building Schools for the Future Ltd, (6015434) is a wholly owned subsidiary of Bradford Council. It was incorporated on 30 November 2006 with the sole purpose to make a loan to Integrated Bradford LEP Fin co One Ltd (5797779). The company's financial accounts are available from Financial Services, Britannia House, Hall Ings Bradford BD1 1HX.. In addition, the Bradford District Apprenticeship Training Agency (8424557) was incorporated on 28 February 2013. However, as at 31 March 2017, there is no material activity.

In addition to the above, the Council is involved in a number of other partnerships and companies limited by guarantee. The Council does not have significant influence over these organisations.

Joint Arrangements
The Council has identified that it is involved in 8 (8 in 2015-16) Joint Arrangements. One of these is the Yorkshire Purchasing Organisation.

The remaining 7 Joint Arrangements are known collectively as the West Yorkshire Services Committee. Individually these comprise: West Yorkshire Archaeology Advisory Service, Archaeological Service, West Yorkshire Archive Service, West Yorkshire Ecology, West Yorkshire Materials Testing Service, West Yorkshire Public Analyst and West Yorkshire Trading Standards. In 2016-17 the Council included its contribution of £0.796m to these arrangements (£0.979m in 2015-16) in the Comprehensive Income & Expenditure Statement but has not included its share of the assets and liabilities on the grounds of non-materiality.

The Council had no significant balances outstanding at year end with related parties.

Note 42. External Audit Costs

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

2015-16 £000	External Audit Costs	2016-17 £000
185	External audit services	185
17	Certification of grant claims and returns	20
48	West Yorkshire Pension Fund	48
3	Fees for other services	0
253	**Total**	**253**

Note 43. Dedicated Schools Grant (DSG)

The Council is allocated the Dedicated Schools Grant (DSG) from the Department for Education (DfE) in support of expenditure relating to the schools budget. The DSG must be allocated between Individual Schools budget (ISB) and the Central School Budget expenditure, and over or underspends on the two elements need to be shown separately. The DSG has been made under sections 14 of the Education Act 2002 and has been spent in accordance with regulations made under sections 45A, 45AA, 47, 48 (1) and (2) and 138 (7) of, and paragraph 1 (7) (b) of Schedule 14 to the School Standards Framework Act 1998 (England).

New disclosure requirements in 2014/15 require the Council to show any in year DSG adjustments made by the DfE.

Bradford was allocated £503.657m, see the table below:

Dedicated Schools Grant	**2015-16**	**2015-16**	**2015-16**	**2016-17**	**2016-17**	**2016-17**
	Total	Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)
	£000	£000	£000	£000	£000	£000
Final DSG before Academy Recoupment	501,397			503,657		
Academy Recoupment	-117,432			-170,526		
Total DSG after Academy Recoupment	**383,965**			**333,131**		
Plus DSG b/f from previous year	4,994			887		
DSG carry forward to following year agreed in advance	0	0	0	0	0	0
Agreed Budget Distribution	***388,959**	**19,332**	**369,627**	**334,018**	**19,643**	**314,375**
In Year Adjustments	-683	0	-683	0	0	0
Final Budgeted Distribution	**388,276**	**19,332**	**368,944**	**334,018**	**19,643**	**314,375**
Less Actual ISB deployed to schools	368,944	0	368,944	19,185	0	314,375
Less Actual Central Expenditure	18,445	18,445	0	19,185	19,185	0
Carry Forward	**887**	**887**	**0**	**458**	**458**	**0**
Carry Forward agreed in Advance	0	0	0	0	0	0
Total Carry Forward	**887**	0	0	**458**	0	0

*The DSG after Academy Recoupment of £333.131m less the previous year in year adjustment of £0.683m, total £332.448m, per the amount shown for the DSG in Note 45, page 90.

Note 44. Contingent Liabilities and Assets

This note summarises potential contingent losses in relation to certain outstanding matters which cannot be estimated accurately or considered sufficiently certain. Contingent liabilities are not accrued in the accounting statements.

Equal Pay Claims

Single Status is the process of job evaluation and harmonisation of former officer and manual worker terms and conditions, which dates from the 1997 Single Status agreement. A contingent liability is needed for unexpected consequences of the equal pay legislation. However, no provision has been set aside as at 31 March 2017 (Please see Provisions, Note 20, p54).

Employment Tribunal

An Employment Appeal Tribunal (November 2014) ruled that holiday pay should include non-guaranteed overtime which may have implications for the Council where our employees are required to work overtime as a regular part of their job. Any backdating of claims is limited. A limited liability may therefore arise, although it is not thought likely that the impact will be significant.

Municipal Mutual Insurance Limited (MMI Ltd)

Prior to 1992, the Council's public liability and employers liability insurance were supplied by MMI Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Arrangement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. A court ruling in relation to employers liability for occupational disease claims such as asbestosis has adversely affected the financial position of MMI Ltd to the extent that the Scheme of Arrangement has been triggered. The initial levy rate has been set at 15%, and the Council paid £0.455m out of the opening provision for this amount. An additional levy was triggered for a further 10% on 1 April 2016, for which a provision was set aside as at 31 March 2017 (Please see Provisions, Note 20, p54).

Pension Fund Guarantees

The Council has agreed, subject to limitations, to guarantee the pension fund deficit of various bodies. Based on the 2013 actuarial valuations, there is no overall net liability to the Council, although it is recognised that in the future this position could change.

Partnership Organisation

The Council withdrew from a partnership organisation. This gave rise to an additional pension liability of £0.226m as at 31 March 2015, which was subsumed into the Council's overall pension liability.

PFI BSF Phase 1 Asbestos Compensation Claim

The main contractor responsible for delivery of the PFI BSF Phase 1 scheme has claimed for compensation for extra costs incurred in dealing with asbestos during construction of the scheme. The potential liability is being considered by the Council's legal and technical advisers for the scheme.

Search Fees

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council agree to settle and some costs were settled in 2016/17. 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 20, p54).

Compensation Claim

There is a potential contingent liability for schools that convert to an academy where there are historic school deficit balances and whose responsibility they will be if a school converts to an academy. There are a number of schools that could be affected although the Council will look to actions to reduce its exposure to financial loss.

The Council is also in discussions with a specific school with regards to a potential compensation claim.

Indemnity

The Council has provided an indemnity up to a value of £0.2m.

Note 45. Grant Income

The revenue government grants shown in the tables below represent the accrued amount received by the Council.

The Council credited the following grants, and donations to the Comprehensive Income and Expenditure Statement in 2016-17:

	2015-16 £000	2016-17 £000
Credited to Net cost of Services		
Dedicated Schools Grant (DSG)	383,802	332,448
Rent Allowance Subsidy	174,330	170,152
Public Health	39,082	44,016
Pupil Premium	27,365	23,431
PFI Revenue Support	27,301	27,301
Education and Schools	27,323	23,145
Education Services	7,788	6,182
NHS Adult Social Care	15,135	10,711
Care Act	2,288	0
Independent Living Fund	1,633	2,067
Revenue Expenditure Funded from Capital under Statute (REFCUS)	1,111	4,848
Council Tax reduction & housing benefits administration	3,805	3,524
Miscellaneous under £500k	1,913	945
Safer Communities	2,992	2,494
Troubled Families	1,754	1,776
Regional Growth Fund	272	0
Contribution to cost of Business Rates collection	738	754
Youth Training	961	865
European Union	625	213
Adoption Grant	462	871
Local Reform & Community Voices	309	314
Asylum Accommodation	291	226
Arts, Heritage & Leisure	107	551
Total	**721,387**	**656,834**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	107,391	83,947
Top Up Grant	56,568	57,040
New Homes Bonus Grant	9,644	11,444
Small Business Rates and other Section 31 grants	8,217	7,532
Local Services Support Grant	165	104
Total	**181,985**	**160,067**

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:

	2015-16 £000	2016-17 £000
Capital Grants Receipts in Advance		
Developer's contributions	8,047	8,361
Total (See Balance Sheet p23)	**8,047**	**8,361**

Note 46. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals. The Code distinguishes between impairment loss – which represents the consumption of economic benefit specific to an asset – and revaluation loss – which represent a general decrease in prices. These disclosures are consolidated in Note 9 and Note 14.

There were no impairment losses during the year.

Note 47. Financial Instruments

A financial instrument is 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.

With effect from 1 April 2007 local authorities were required to adopt the accounting standards for financial instruments IAS 32, IAS 39 and IFRS 7. This means that most financial instruments (whether borrowing or investments) have to be valued in the Balance Sheet on a fair value basis using the effective interest rate (EIR) method.

In addition to help identify, quantify and inform on the exposure to and management of risk, financial instruments are required to be shown at fair value. Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price. In the following tables and notes the significance of financial instruments for the Council's financial position and performance will be explained.

Financial Assets that have passed their due date have been impaired but all have been subject to a review and, where appropriate, provided for within the bad debt provision.

Types of Financial Instruments

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

	Long-term		Current	
	31 March 2016 £000	**31 March 2017 £000**	**31 March 2016 £000**	**31 March 2017 £000**
Investments				
Loans and receivables (Principal amount)	0	0	81,222	67,251
Accrued Interest	0	0	54	13
Equity Investments	1	1	0	0
Available for sale financial assets	0	0	0	10,014
Total Investments	**1**	**1**	**81,276**	**77,278**
Debtors				
Loans and receivables	1,433	1,484	24	22
Financial assets carried at contract amounts	0	0	27,047	34,136
Total Debtors	**1,433**	**1,484**	**27,071**	**34,158**
Borrowings				
Financial liabilities at amortised cost (Principal amount)	310,706	326,826	29,635	17,212
Accrued Interest	0	0	3,551	3,623
Total Borrowings	**310,706**	**326,826**	**33,186**	**20,835**
Other long term liabilities				
PFI and finance lease liabilities	186,559	177,994	8,609	8,354
Total other long term liabilities	**186,559**	**177,994**	**8,609**	**8,354**
Creditors				
Financial liabilities carried at contract amounts	0	0	34,421	29,365
Total creditors	0	0	**34,421**	**29,365**

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

Some of the Council's financial assets are measured on the Balance Sheet at fair value. The Council holds £10m in certificates of deposit with Tor Dom Bank and Rabbobank. The fair value has been calculated by using published price quotations.

Except for the financial assets carried at fair value (described above), all other 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:

2015-16 Carrying amount	2015-16 Fair value	Fair value of liabilities carried at amortised cost at 31 March	2016-17 Carrying amount	2016-17 Fair value
£000	£000		£000	£000
288,925	380,497	PWLB Loans	288,888	394,528
43,137	54,289	LOBO's	43,121	63,369
0	0	Other loans	400	400
3,551	3,551	Short term borrowing	3,623	3,623
3,523	3,523	Cash overdrawn	7,042	7,042
4,434	6,029	Other local authorities re joint services	4,256	6,201
322	322	Other	331	331
195,168	195,168	PFI and finance lease liabilities	186,348	186,348
34,421	34,421	Financial liabilities at contracted amounts	29,365	29,365
573,481	**677,800**	**Total Liabilities**	**563,374**	**691,207**

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The Council has determined that for PFI scheme and finance lease liabilities the carrying value represents the best estimate of fair value, as the carrying value is based on the effective interest rate of the contract, which reflects the unique risks associated with the contract.

An alternative valuation technique for PWLB loans is where the value is calculated to be equivalent to the cost of the early repayment of outstanding PWLB debt. But if the Council were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging an additional premium for the additional interest that will not now be paid. If this method of valuation had been used in 2016-17 the fair value would be calculated as £447.207m.

2015-16 Carrying amount	2015-16 Fair value	Fair value of assets carried at amortised cost at 31 March	2016-17 Carrying amount	2016-17 Fair value
£000	£000		£000	£000
7,238	7,238	Investments	11,011	11,011
74,038	74,038	Investments – cash and cash equivalents	56,253	56,253
1	1	Equity Investments -Integrated Bradford Local Education Partnership (LEP) Ltd	1	1
1,457	1,579	Debtors – loans and receivables	1,506	1,646
27,047	27,047	Financial assets at contracted amounts	34,136	34,136
109,781	**109,903**	**Total Financial Assets**	**102,907**	**103,047**

The fair values for loans and receivables have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument and include accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Gains and losses on financial instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows.

2015-16 £000	Recognised gains and losses	2016-17 £000
	Recognised in the Comprehensive Income and Expenditure Statement	
	Financial assets: Loans and receivables	
-1,381	Interest income	-1,060
-1,381	**Total income in surplus or deficit on the provision of services**	**-1,060**
	Financial Liabilities measured at amortised cost	
20,290	Interest payable	19,947
18,753	Interest Payable on PFI and Finance leases	18,431
	Recognised in Other Comprehensive Income and Expenditure	
39,043	**Total expense in surplus or deficit on the provision of services**	**38,378**

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:-

a. Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.
b. Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
c. Re-financing Risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
d. Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movement.

Overall procedures for managing risks

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. In July 2003 the Council fully adopted the CIPFA Code of Treasury Management Practices. Each year the Director of Corporate Services presents to the Governance and Audit Committee an Annual Treasury Management Report which covers the Council's current treasury position, borrowing and investment strategies and performance and debt rescheduling.

The annual Treasury Management Strategy which incorporates prudential indicators was approved by Council on 22 March 2016 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 AAA: Maximum Investment with any one counter party – £20 million.
4. Any other Bank or Building Society with credit criteria of Moody's rating Aa3 or better, Fitch short term rating of at least F1 and a S&P short term rating of A1 or better: Maximum Investment with any one counter party – £30million.
5. Any Bank or Building Society with credit criteria of Moody's rating A1 or better, Fitch short term of at least F1 and a S & P short term rating of A-1or better: 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 - maximum limit of £20m.

The full Investment Strategy for 2016-17 was approved by Full Council on 22 March 2016 and is available on the Council's website.

Customers for goods and services are assessed, dependent on materiality, taking into account their financial position, past experience and other factors as appropriate. A bad debt provision has been included in the accounts, to take account of the risk of non-payment (see note 18). As at 31 March 2017, the Council had a balance owing from its customers (mainly service and rent) of £26.363m (£27.047m 31 March 2016). The exposure to default has been assessed and is reflected in a bad debt (or impairment) provision of £11.823m.

At the year end the Council held investments of £77.278m, made up of £21.025m Investments and £56.253m 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 2017 that any losses were likely to crystallise. The Council has not suffered any historical experience of default on any deposits with financial institutions, and does not expect to suffer any defaults on any of its existing deposits and therefore there is no requirement for any impairment of financial assets to be made.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits and bonds.

b. Liquidity Risk

The Council manages its liquidity position through the risk management procedures above and through a comprehensive cash flow management system. This seeks to ensure cash is available when needed.

If unexpected movements occur, the Council has ready access to a facility to borrow from the Public Works Loans Board to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

c. Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year and 40**%** within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The following is an analysis of amounts owed to lenders at the year-end.

31 March 2016 £000	Total Borrowing	31 March 2017 £000
	Source of loan and interest rate range :	
288,925	Public Works Loan Board (3.7% to 10.25%)	288,888
43,137	Commercial Banks (3.2% to 4.5%)	43,121
0	Other - WYCA	400
332,062		**332,409**
	Analysis of loans:	
	Short Term Borrowing	
25,935	Maturing in less than 1year	**10,000**
	Long Term Borrowing	
38,431	Maturing in 2 - 5 years	33,942
43,715	Maturing in 5 - 10 years	55,088
57,396	Maturing in 10 - 15 years	52,857
166,585	Maturing in more than 15 years	180,522
306,127	**Total Long Term Borrowing**	**322,409**
332,062	**Total Borrowing**	**332,409**

The total borrowing shown on the Balance Sheet, page 23, of £336.032m, calculated by adding together short term (£13.623m) and long term borrowing (£322.409m), includes accrued interest of £3.623m, per accounting regulations. Accrued interest is not included in the above table.

d. Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

The current interest rate risk for the Council is summarised below:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on the revenue balances);
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

According to this investment strategy, if interest rates had been 1% higher at 31 March 2017 with all other variables held constant, the financial effect would be:

31 March 2016 £000	Effect of 1% increase in interest rates	31 March 2017 £000
0	Increase in interest payable on variable rate borrowings	0
-728	Increase in interest receivable on variable rate investments	-597
0	Increase in government grant receivable for financing costs	0
-728	**Impact on Surplus or Deficit on the Provision of Services**	**-597**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The Council does not have any borrowings at a variable rate.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price Risk

The Council does not generally invest in equity shares and does not have any material shareholdings in joint ventures or local companies, and it is not therefore subject to price risk.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Note 48. Trust Funds and Custodial Money

The Strategic Director – Corporate Services acts as treasurer to 19 funds (inclusive of 11 sole trustee charities), held in trust for such purposes as maintenance grants, travel scholarships and book prizes, or for the benefit and care of particular client groups. The fund balances are invested in managed funds, local authority bonds and gilt edged securities and deposit accounts.

£32,600 (£69,573 at 31 March 2016) is also held on behalf of clients who are in residential care. The assets shown below are not owned by the Council and are not included in the Balance Sheet.

Balance 31 March 2016	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2016-17	Income 2016-17	Balance 31 March 2017
£		£	£	£
	Education charities:			
597,865	Charles Semon Educational Foundation	4,027	13,247	607,085
532,331	Bradford area	5,913	16,593	543,011
434,520	Keighley area	1,886	21,130	453,764
12,054	Housing charities	1,749	2,887	13,192
299,197	Charities for the Blind	0	10,755	309,952
1,875,967		**13,575**	**64,612**	**1,927,004**

For those Trust Funds where the Council acts as sole trustee and which at 31 March 2017 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 2016-17	Balance at 31 March 2017
		£	£
Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	9,220	607,085
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	19,668	445,201
Royd House Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	5,367	139,238
Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2,862	221,304
Littlemoor Queensbury (519426)	Maintenance of Public Park & Recreation Ground for the benefit and use of Queensbury and the general public	1,553	61,540

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.

2015-16 £000 Council Tax	**2015-16 £000 Business Rates**	**2015-16 £000 Total**	**Collection Fund Statement**	**2016-17 £000 Council Tax**	**2016-17 £000 Business Rates**	**2016-17 £000 Total**	
			Income				
-183,714	0	-183,714	Due from Council Tax payers (excluding benefits)	-191,914	0	-191,914	*Note 1*
127	0	127	Due in respect of Council Tax benefits	74	0	74	
0	-142,510	-142,510	Due from Business Rate payers	0	-148,579	-148,579	*Note 2*
-183,587	**-142,510**	**-326,097**	**Total Income**	**-191,840**	**-148,579**	**-340,419**	
			Expenditure				
			Precepts:				
150,097	0	150,097	Bradford Council	159,950	0	159,950	
7,627	0	7,627	West Yorkshire Fire and Rescue Authority	7,971	0	7,971	
18,363	0	18,363	Police & Crime Commissioner for West Yorkshire	19,485	0	19,485	
			Business Rates:				
0	69,916	69,916	Payment to Central Government	0	74,822	74,822	
0	1,398	1,398	Payment to West Yorkshire Fire and Rescue Authority	0	1,496	1,496	
0	68,518	68,518	Payment to Bradford Council	0	73,325	73,325	
0	738	738	Costs of Collection	0	741	741	
0	703	703	Transitional Protection Payments	0	347	347	
2,592	3,041	5,633	Write-offs of Uncollectable Amounts	2,959	3,977	6,936	
0	10,034	10,034	Settlement of Appeals	0	4,730	4,730	
1,853	197	2,050	Contribution to / from (-) Provision for Losses on Bad & Doubtful Debts	144	-1,178	-1,034	*Note 3*
0	-3,120	-3,120	Contribution to / from (-) Provision for Losses on Appeals	0	-439	-439	*Note 4*
			Distribution of Collection Fund Surplus/Repayment of Deficit:				
2,000	203	2,203	Bradford Council	2,000	-10,384	-8,384	
101	4	105	West Yorkshire Fire and Rescue Authority	102	-212	-110	
244	0	244	Police & Crime Commissioner for West Yorkshire	245	0	245	
0	208	208	Central Government	0	-10,596	-10,596	
182,877	**151,840**	**334,717**	**Total Expenditure**	**192,856**	**136,629**	**329,485**	
-710	**9,330**	**8,620**	**Net movement (surplus (-)/deficit) in the fund balance**	**1,016**	**-11,950**	**-10,934**	*Note 5*
			Movements on the Collection Fund Balance				
-2,393	**14,551**	**12,158**	**Balance at beginning of year**	**-3,103**	**23,881**	**20,778**	
-606	4,572	3,966	Bradford's share of surplus (-) /deficit for the year	870	-5,855	-4,986	*Note 5*
-104	93	-11	Preceptors' share of surplus (-) /deficit for the year	146	-120	26	*Note 5*
0	4,665	4,665	Central Government's share of surplus (-) /deficit for the year	0	-5,975	-5,975	*Note 5*
-3,103	**23,881**	**20,778**	**Balance at end of year**	**-2,087**	**11,931**	**9,844**	
			Allocated to:				
-2,642	11,702	9,060	Bradford Council	-1,773	5,846	4,073	
-135	239	104	West Yorkshire Fire and Rescue Authority	-93	119	26	
-326	0	-326	Police & Crime Commissioner for West Yorkshire	-221	0	-221	
0	11,940	11,940	Central Government	0	5,966	5,966	
-3,103	**23,881**	**20,778**		**-2,087**	**11,931**	**9,844**	

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 £1,403.74 in 2016-17 (£1,351.60 in 2015-16) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

The Council Tax base for 2016-17 was 133,505 (130,280 in 2015-16). The tax base for 2016-17 was approved at the Executive meeting on 12 January 2016 and was calculated as follows:

2015-16 Band D Equivalent		**Band**	**2016-17 Number of chargeable dwellings**	**Multiplier**	**2016-17 Band D Equivalent**
53		A*	88	5/9	49
36,859		A	56,800	6/9	37,866
26,538		B	34,970	7/9	27,199
28,422		C	32,420	8/9	28,817
15,070		D	15,385	9/9	15,385
13,262		E	11,100	11/9	13,567
7,623		F	5,319	13/9	7,683
5,461		G	3,383	15/9	5,639
469		H	237	18/9	475
133,757	Total Band D equivalent				136,680
-3,477	Adjustment for estimated losses on collection				-3,175
130,280	**Council Tax Base**				**133,505**

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

The Council collects business rates on behalf of central government for its area. The rate in the pound of rateable value is set by central government. There are two multipliers: the small business non-domestic rating multiplier of 48.4p (48.0p in 2015-16) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 49.7p (49.3p in 2015-16) includes the supplement to pay for small business relief.

In 2013-14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the District. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain 49% of the total Business Rates received. Of the remainder, 50% is paid to Central Government and 1% is paid to West Yorkshire Fire and Rescue Authority (WYFRA).

The business rates shares payable for 2016-17 were estimated before the start of the financial year as £74.822m to Central Government, £1.496m to WYFRA and £73.325m to Bradford Council. These sums have been paid in 2016-17 and charged to the Collection Fund in year.

The total income from business rate payers collected in 2016-17 was £148.579m (£142.510m in 2015-16). This sum includes £0.347m 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 £386,685,649 for 2016-17 (£388,095,364 for 2015-16).

Note 3. Provision for Council Tax and Business Bad Debts

In 2016-17, the total provision for Council Tax bad debts was increased by £0.144m, from £13.905m to £14.049m. Of the final balance, 86% is to cover Council Tax owed to the Council. The remaining 14% is to cover amounts owed to major preceptors.

In 2016-17, the total provision for Business Rates bad debts was decreased by £1.178m, from £6.128m to £4.949m. Of the final balance, 49% is to cover Business Rates owed to the Council. The remaining 51% is to cover amounts owed to Central Government (50%) and West Yorkshire Fire and Rescue Authority (1%).

Note 4. Provision for Losses on Appeals

From 1 April 2013, the Council shares 49% of the risks and rewards of the income from Business Rates. The Council could potentially receive a shortfall in income from changes in the valuations of commercial premises, following appeals to the Valuation Agency. In 2016-17, the provision for losses on outstanding appeals was reduced by £0.439m, from £12.239m at 31 March 2016 to £11.800m at 31 March 2017. The Council's 49% share of the £11.800m provision was £5.782m.

Note 5. Collection Fund Balance

An accumulated surplus on the Collection Fund is attributable to amounts that are deemed to be collectable, but which have not yet been collected. In line with proper accounting practice for Council Tax, Business Rates and the Collection Fund, any surplus or deficit in year must be allocated in year to the Council and the preceptors in the required proportions. However, in order to reflect the fact that the Council is not allowed by statutory legislation to either fund deficits or use surpluses in year, the distribution is offset by an entry to the Collection Fund Adjustment Account in the Council's Balance Sheet. This change does not therefore affect the statutory position, which is that any surplus or deficit on the Collection Fund must be used as an adjustment to the Council Tax and Business Rates in future years.

An overall surplus of £10.934m arose in 2016-17 (£8.620m deficit in 2015-16), of which the Council's share was a surplus of £4.986m (£3,966m deficit in 2015-16); Central Government's share was a surplus of £5.975m (£4,665m deficit in 2015-16); and the preceptors share a deficit of £0.026m (£0.011m surplus in 2015-16).

Note 6. Leeds City Region Pooling Arrangement

The Council is a Member of the Leeds City Region Pool along with the other four West Yorkshire Authorities, Harrogate and York. Under the terms of the pooling arrangement, during the year, each authority will receive exactly the same funding as they would have if treated individually. The distribution of any levy income is retained in the region as opposed to being paid over to the Government.

West Yorkshire Pension Fund

Restated 2015-16 £000	Fund account	2016-17 £000	Note
	Dealings with members, employers and others directly involved in the Fund		
372,724	Contributions receivable	382,610	*6*
20,371	Transfers in	22,632	*7*
23,475	Non-statutory pensions and pensions increases recharged	22,667	*8*
416,570		**427,909**	
-456,101	Benefits payable	-472,524	*9*
-23,475	Non-statutory pensions and pensions increases	-22,667	*8*
-20,733	Payments to and on account of leavers	-20,129	*10*
-500,309		**-515,320**	
-9,389	**Management expenses**	**-10,278**	*13*
-93,128	**Net additions/(withdrawals) including management expenses**	**-97,689**	
	Returns on investments		
314,619	Investment income	341,464	*15*
-3,538	Taxes on income	-6,399	
-329,255	Profit and losses (-)on disposal of and changes in value of investments	2,180,570	*17*
3,008	Stock lending	3,404	*17c*
49	Underwriting commission	0	
-15,117	**Net return on investments**	**2,519,039**	
-108,245	**Net Increase (decrease) in the net assets available for benefits during the year**	**2,421,350**	
11,319,225	**Opening net assets of the scheme**	**11,210,980**	
11,210,980	**Closing net assets of the scheme**	**13,632,330**	

Management expenses and profit and loss on disposal of and change in value of investment figures now include transaction costs in line with CIPFA disclosure guidelines. The figures for reporting period 2015-16 have been restated to reflect these costs.

2015-16 £000	Net assets statement	2016-17 £000	*Note*
	Investment assets		
1,129,723	Bonds	1,212,644	*17*
7,896,646	Equities (including convertible shares)	9,926,738	*17*
580,259	Index-linked securities	656,523	*17*
1,389,330	Pooled investment vehicles	1,600,718	*17*
6,500	Direct Property	7,000	*17*
126,100	Cash deposits	136,580	*17*
40,689	Other investment balances	37,934	*17*
	Investments liabilities		
-5,950	Other investment balances	-5,873	*17*
11,163,297	**Investments at 31st March**	**13,572,264**	
	Current assets		
50,345	Debtors	47,605	*20*
8,763	Cash balances (not forming part of the investment assets)	32,549	
	Current liabilities		
-11,425	Creditors	-20,088	*21*
47,683	**Net current assets and liabilities**	**60,066**	
11,210,980	**Net assets of the scheme at 31st March**	**13,632,330**	

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2017. 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 note12.

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Note 1. Operations and Membership

The West Yorkshire Pension Fund (WYPF) provides for the payment of defined pension benefits to members or their dependants, from participating employers. It publishes its own detailed report and accounts document, which is available on the WYPF website address www.wypf.org.uk.

Administering Authority – City of Bradford Metropolitan District Council is the administering authority for the Fund, and as such has statutory responsibility for the management and administration of the Fund. The Fund's entire investment portfolio is managed on a day to day basis in-house supported by the Fund's external advisers.

Legal Status – It is a statutory scheme and the benefits are paid out under the provisions of the Local Government Pension Scheme Regulations as amended. 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 two elected members from each of the five West Yorkshire Metropolitan District Councils, three trade union representatives, two external investment advisors, two scheme members, the Director – West Yorkshire Pension Fund and a Chief Financial Officer from the West Yorkshire District Councils on a two year rotational basis.

Participating employers – There were 422 participating employers at 31st March 2017 (404 employers as at 31st March 2016) whose employees were entitled to be contributors to the Fund.

Membership – Total membership as at 31st March 2017 is 284,820 (31st March 2016 is 278,951).

2015-16	Profile of membership	2016-17
100,927	Active members	101,881
82,966	Pensioner members	86,334
95,058	Members with preserved pensions	96,605
278,951	**Total members**	**284,820**

Benefits payable – On 1st April 2014, LGPS pensions became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with Consumer Prices Index. Prior to April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:-

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one off tax free cash payment. A Lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum.Part of the annual pension can be exchanged for a one off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2. Actuary's Report

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had fallen slightly since the previous valuation with the market value of the Fund's assets as at 31 March 2016 (of £11,211.5M) covering 94% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 is:

- 16.2% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017 (the secondary rate), equivalent to 2.4% of pensionable pay (or £42.5M in 2017/18, and increasing by 3.25% p.a. thereafter).

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31 March 2017 (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.

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in the stepping of contribution increases, individual employers' recovery periods and allowance for post-valuation date market conditions as agreed with the administering authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

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

Discount rate for periods in service	
Scheduled body employers *	4.7% p.a.
Ongoing Orphan employers	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body employers *	4.7% p.a.
Ongoing Orphan employers	2.5% p.a.
Rate of pay increases	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

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

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The assets were valued at market value.

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

6. 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) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions (CMI_2016_Proposed2015), 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 were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.3	25.1
Future pensioners aged 45 at the valuation date	22.9	26.9

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

10. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:

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

Aon Hewitt Limited

April 2017

Note 3. Accounting policies

Basis of preparation
The statement of accounts summarises the Fund's transactions for the 2016/17 financial year and its financial position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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.

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

Transfers in and out of the Fund
Transfer values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

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

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

Management expenses
The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative expenses
All administrative expenses are accounted for on an accruals basis. 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 therefore increase or reduce as the value of the investments 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 are charged direct to investment management expense and a proportion of the Fund's management costs which represents management time spent by officers on investment management is also charged to investment management expenses.

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 12).

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

Financial liabilities
The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

Investment income

Interest income

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

Property related income

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

Dividend income

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

Distribution from pooled funds

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

Movement in the net market value of investments

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

Taxation

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

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date with the exception of any assets classified as loans and receivables, which are stated at nominal value.
A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.
The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (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 Equitable Life 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 showing the amount held in their 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) Foreign currency purchases are translated into Sterling at the actual purchase rate, all commissions are charged as expense to management costs.

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

   - If there have been transactions in the same currency in the last 30 days, then the latest recorded transaction rate is used.
   - Else the mid-market rate on the date of receipt is used.

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

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

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

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

Acquisition costs of investments
Acquisition costs of investments are included in the purchase price.

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 whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in a note 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 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 2017 but not settled until later are accrued in the accounts.

Note 4. Critical accounting estimates, judgements and assumptions made about the future and other major sources of estimation uncertainty
The preparation of the Fund’s financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

a) Fair value of financial instruments
In accordance with the Code and IFRS13, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 18. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

b) Retirement benefit obligations
Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note in note 12 and does not comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in note 12.

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)

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

There have been no such events since 31 March 2017, and up to the date when these accounts were authorised that require any adjustments to these accounts.

Note 6. Contributions received by category:

Contributions from employers and employees:

2015-16 £000	Analysis of contributions received	2016-17 £000
262,685	Employers	271,661
110,039	Members	110,949
372,724	**Total contributions received**	**382,610**

Contributions received by type of employer:

2015-16 £000	Analysis by type of employer	2016-17 £000
48,289	**Administering Authority**	46,699
283,909	**Scheduled bodies**	291,872
40,526	**Admitted bodies**	44,039
372,724	**Total contributions received**	**382,610**

Contributions are further analysed by type of contribution:

2015-16 £000	Contributions received by type	2016-17 £000
242,691	Employers normal contributions	247,600
105,659	Employees normal contributions	106,470
4,380	Employees additional contributions	4,479
19,994	Employers deficit contributions	24,061
372,724	**Total contributions received**	**382,610**

Employers' contribution rates and deficit contributions

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

Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. For 2016/17 the rates start at 5.5% payable by employees with salaries up to £13,600 a year, and the highest rate is 12.5% to be paid on salaries over £151,800 a year.

Note 7. Transfers in

2015-16 £000	Transfers in from other pension funds	2016-17 £000
20,371	Individual transfers in from other schemes	22,632
20,371	**Total transfers in**	**22,632**

Note 8. Non-statutory pensions and pensions increase recharged

2015-16 £000	Non-statutory pensions and pensions increase recharged	2016-17 £000
23,475	**Pensions**	**22,667**

The costs of added years granted by participating employers for early retirement together with associated inflation proofing costs are reimbursed to the Fund, by the employer, out of current revenues.

Costs of annual inflation proofing for non-participating employers are also recharged.

Note 9. Benefits payable

2015-16 £000	Analysis of benefits payable	2016-17 £000
	Funded pensions	
-330,091	Retired employees	-341,574
-27,799	Dependants	-28,573
	Funded lump sums	
-87,235	On retirement	-90,006
-10,976	On death	-12,371
-456,101	**Total Benefits Payable**	**-472,524**

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

2015-16 £000	Analysis of benefits payable by member body	2016-17 £000
-67,904	Administering Authority	-71,405
-327,330	Scheduled bodies	-337,029
-55,805	Admitted bodies	-58,630
-5,062	Other interested bodies with no pensionable employees	-5,460
-456,101	**Total benefits payable**	**-472,524**

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

2015-16 £000	Payments to and on account of leavers	2016-17 £000
-979	Refund of contributions	-1,469
-18,205	Individual transfers out to other schemes	-17,990
-1,549	Bulk transfers out to other schemes	-670
-20,733	**Total transfers out**	**-20,129**

Note 11. AVC scheme with Equitable Life, Scottish Widows and Prudential

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Equitable Life Assurance, Scottish Widows and Prudential, whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.
As advised by the three companies the amounts administered under AVC arrangements are as follows:

2015-16 £000	Additional voluntary contributions	2016-17 £000
24,282	Value of funds at 1st April	24,212
4,604	Contributions received	5,544
43	Transfers and withdrawals	245
0	Internal transfers	67
-79	Interest and bonuses / change in market value of assets	3,223
-4,641	Sale of investments to settle benefits due to members	-5,001
24,209	**Value of fund at 31st March**	**28,290**

The aggregate amounts of AVC investments are:-

2015-16 £000	AVC investments	2016-17 £000
2,772	Equitable Life	2,547
9,779	Prudential	13,278
11,658	Scottish Widows	12,465
24,209	**Total**	**28,290**

Note 12. Actuarial present value of promised retirement benefits

Introduction
The Fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the Fund as a whole.
The Fund provides defined benefits, which for membership to 31st March 2017, are based on members' Final Pensionable Pay.

The required valuation is carried out by the Fund Actuary, Aon Hewitt using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at triennial funding valuation. The information set out below relates to actuarial present value of the promised retirement benefits in the Fund.

Actuarial present value of promised retirement benefits
Paragraph 6.5.2.7 of CIPFA's Code of Practice on local authority accounting for 2016/17 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.
The results as at 31 March 2016, together with the results as at 31 March 2013 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

	Value as at 31st March 2016 £M	Value as at 31st March 2013 £M
Fair value of net assets	**11,211.0**	**9,940.3**
Actuarial present value of the promised retirement benefits	**14,085.4**	**12,259.3**
Surplus / (deficit) in the Fund as measured for IAS26 purposes	**(2,874.4)**	**(2,319.0)**

Assumptions
The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31st March 2016. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31st March 2016 (% p.a.)	31st March 2013 (% p.a.)
Discount rate	3.40	4.50
RPI Inflation	2.90	3.40
CPI Inflation	1.80	2.40
Rate of general increase in salaries **	3.05	3.90

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

** *In addition, we have allowed for the same age-related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date*

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

Principal demographic assumptions

Post retirement mortality	**31 March 2016**	**31 March 2013**
Males		
Base table	Standard SAPS S2 All Pensioners (S2PMA	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105% for current male pensioners 115% for future male pensioners	105%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	22.0	22.5
Future lifetime from age 65 (currently aged 45)	22.9	24.7
Females		
Base table	Standard SAPS S2 All Pensioners (S2PFA)	Standard SAPS Normal Health All Amounts tables (S1NFA)
Rating to above base table *	0	0
Scaling to above base table rates **	90% for current female pensioners 90% for future female pensioners	100%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	25.1	25.4
Future lifetime from age 65 (currently aged 45)	26.9	27.7

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

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

	31st March 2016	31st March 2013
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.	Each member 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.

Note 13. Management Expenses

Restated 2015-16 £000	**Management expenses**	**2016-17 £000**
-3,818	Administration costs	-3,879
-4,888	Investment Management expenses	-5,562
-683	Oversight and Governance	-837
-9,389	**Total administrative expenses**	**-10,278**

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Investment management expenses above includes £19k in respect of performance-related fees paid (2015/16 £32k) and also a statutory audit fee of £48k (2015-16 £48k). No other fees have been paid to the external auditor.

Investment management expenses (2015/16) have been restated in order to account for £1,890k transaction costs to be consistent with 2016/17 costs. Transaction costs are included to comply with CIPFA guidance.

Note 14. Investment expenses

Restated 2015-16 £000	**Investment expenses**	**2016-17 £000**
-2,573	Internal management costs	-2,582
-1,890	Transaction costs	-2,503
-425	Custody fees	-477
-4,888	**Total**	**-5,562**

Investment management expenses (2015/16) have been restated in order to account for £1,890k transaction costs to be consistent with 2016/17 costs. Transaction costs are included to comply with CIPFA guidance.

Note 15. Investment income

2015-16 £000	**Investment income**	**2016-17 £000**
41,343	Income from bonds	42,986
246,768	Dividends from equities	269,985
5,451	Income from index-linked securities	3,653
19,408	Income from pooled funds	23,492
415	Income from Direct Property	416
1,234	Interest on cash deposits	932
314,619	**Total investment income**	**341,464**

Analysis of investment income accrued

	2016 UK £000	**2017 UK £000**	2016 NON UK £000	2017 NON UK £000	**2016 GLOBAL £000**	**2017 GLOBAL £000**	**2016 TOTAL £000**	**2017 TOTAL £000**
Bonds	9,703	9,047	1,964	1,953	0	0	11,667	11,000
Equities	24,668	16,784	1,135	239	0	0	25,803	17,023
Index Linked Securities	245	756	95	77	0	0	340	833
Pooled Investment Vehicles	0	0	0	0	0	0	0	0
Direct Property Holdings	311	220	0	0	0	0	311	220
Cash & Cash equivalents	396	247	0	0	0	0	396	247
Total	**35,323**	**27,054**	**3,194**	**2,269**	**0**	**0**	**38,517**	**29,323**

Note 16. Direct Property Holdings

2015-16 £000	Investment expenses	2016-17 £000
6,000	**Opening balance**	6,500
	Additions:	
25	Purchases	0
0	Construction	0
0	Subsequent expenditure	0
0	Disposals	0
475	Net Increase/ decrease in market value	500
0	Other changes in fair value	0
6,500	**Closing value**	**7,000**

Note 17. Investments

Movement in the value of investments in 2016-17

Investments	Opening value at 1st April 2016 £000	Purchases costs £000	Sales proceeds £000	Change in market value £000	Closing value at 31st March 2017 £000
Bonds	1,129,723	249,506	-236,606	70,021	1,212,644
Equities	7,896,646	660,380	-444,688	1,814,400	9,926,738
Index-linked securities	580,259	63,913	-77,003	89,354	656,523
Pooled Funds	1,389,330	55,500	-50,407	206,295	1,600,718
Direct Property	6,500	0	0	500	7,000
Cash deposits	126,100	10,480	0	0	136,580
Other investment assets	40,689	0	-2,755	0	37,934
Other investment liabilities	-5,950	77	0	0	-5,873
Total investments	**11,163,297**	**1,039,856**	**-811,459**	**2,180,570**	**13,572,264**

Comparative movements in the value of investments for 2015-16

Investments	Opening value at 1st April 2015 £000	Restated Purchases costs £000	Restated Sales proceeds £000	Restated Change in market value £000	Closing value at 31st March 2016 £000
Bonds	1,096,230	240,122	-195,662	-10,967	1,129,723
Equities	7,974,012	705,255	-435,536	-347,085	7,896,646
Index-linked securities	608,117	124,716	-153,779	1,205	580,259
Pooled Funds	1,354,482	72,799	-65,068	27,117	1,389,330
Direct Property	6,000	25	0	475	6,500
Cash deposits	181,000	0	-54,900	0	126,100
Other investment assets	41,056	0	-367	0	40,689
Other investment liabilities	-6,000	50	0	0	-5,950
Total investments	**11,254,897**	**1,142,967**	**-905,312**	**-329,255**	**11,163,297**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. Purchases and Sales have been restated to reflect the impact of transaction costs which occurred during 2015/16.

a. Analysis of Investments by security type

2015-16 £000	Analysis of investments closing market values	2016-17 £000
	Bonds::	
657,199	Public sector quoted	706,031
453,431	Other quoted	498,420
19,093	Unquoted	8,193
1,129,723		**1,212,644**
	Equities:	
7,156,337	Quoted	8,908,077
740,309	Unquoted	1,018,661
7,896,646		**9,926,738**
	Index linked securities:	
558,032	Public sector quoted	643,661
22,227	Other quoted	12,862
580,259		**656,523**
	Pooled investment vehicles:	
228,660	Hedge funds	254,255
542,902	Property	582,292
617,768	Other	764,171
1,389,330		**1,600,718**
6,500	Direct Property	**7,000**
	Cash deposits:	
126,100	Sterling	**136,580**
40,689	Other Onvestment assets	**37,934**
-5,950	Other Investment liabilities	**-5,873**
11,163,297	**Total**	**13,572,264**

b. Concentration of Investments

Statement of Recommended Practice for Pension Funds (SORP) and Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investment exceeds 5% of the value of the scheme.

Those which exceed 5% of a class of security are listed below:

2015-16 £000	Single investments with a value of greater than 5% of the asset class	2016-17 £000
	Bonds:	
56,836	Treasury 3.25% 2044	80,668
	Index linked securities:	
35,280	Treasury 2022	n/a
35,367	Treasury 2024	38,922
41,144	Treasury 2026	45,783
93,397	Treasury 2029	78,101
n/a	Treasury 2030	67,610
58,241	Treasury 2034	48,027
39,026	Treasury 2040	74,940
38,945	Treasury 2044	44,166
	Managed and Unitised Funds:	
77,644	Aurum ISIS Sterling Fund	81,902
n/a	Aurum WYPF Mgd	82,416
83,249	QIP Ltd	89,032
n/a	Jupiter India Select	100,215
	Direct Property	
6,500	Aldermanbury House	7,000

n/a = no investments

c. Stock Lending

2015-16 £000	Analysis of stock lending		2016-17 £000
52	Income	- Bonds	91
1,020		- UK equities	950
1,993		- International equities	2,451
-57	Expenditure		-88
3,008	**Total**		**3,404**

At 31 March 2017, £1.2 billion of stock was on loan to market makers, (31 March 2016 £915.0m) and this was covered by collateral totalling £1.3 billion, (31 March 2016 £974.0m). The collateral comprised of UK & International Government Bonds £668.3m, (31 March 2016, £362.2m) International Equities £344.1m, (31 March 2015, £411.5m), UK Equities £257.6m, (31 March 2016 £199.8m), Cash £0.0m (31 March 2016 £0.3m) and Certificates of Deposit £0.0m (31 March 2016, £0.4m). All our securities out on loan are fully indemnified by HSBC our custodian.

Note 18 .Fair Value – Basis of valuation

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

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted investments	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.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices	Evaluated price feeds	Not required
Pooled investment-overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published - closing single price where single price is published. Valuations for Property Funds are provided by Fund managers and where available closing bid price is used.	NAV - based pricing set on a forward pricing basis	Not required
Pooled investments - hedge funds	Level 3	Closing bid price where bid and offer prices are published - closing single price where single price is published	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain assurance over valuations provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.	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
Freehold and leasehold properties	Level 3	Valued at fair value at the year end by CBRE independent valuers-*in accordance with the RICS Valuation – Professional Standards global January 2014 including the International Valuation Standards and the RICS Valuation – Professional Standards UK January 2014 (revised April 2015)*	Existing lease terms - Independent market research - Nature of tenancies - Estimated growth - assumed vacancy levels - discount rate	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
		("the Red Book").		
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate	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

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 31st March 2017.

	Assessed valuation range (+/-)	Value at 31 March 2017	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments - hedge funds	10%	254.3	279.7	228.9
Freehold and leasehold properties	10%	7.0	7.7	6.3
Private equity	15%	993.8	1,142.8	844.7

	Assessed valuation range (+/-)	Value at 31 March 2016	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments - hedge funds	10%	228.7	251.5	205.8
Freehold and leasehold properties	10%	6.5	7.2	5.9
Private equity	15%	715.6	822.9	608.3

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
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
Level 2 valuations are those where quoted market prices are not available, for example where the financial asset is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Financial asset classified as level 2 are property funds.

Level 3
Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The table below provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's Net Asset Statement, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

	31st March 2017			
	Level 1	Level 2	Level 3	Total
Financial assets	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through profit & loss	11,533	590	1,273	13,396
Loans and receivables	175	0	0	175
Total financial assets	**11,708**	**590**	**1,273**	**13,571**
Financial liabilities				
Financial liabilities at amortised cost	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

Valuation hierachy as at 31st March 2016

	31st March 2016			
	Restated Level 1	Restated Level 2	Restated Level 3	Total
Financial assets	**£m**	**£m**	**£m**	**£m**
Financial assets at fair value through profit & loss	9,465	562	969	10,996
Loans and receivables	166	0	0	166
Total financial assets	**9,631**	**562**	**969**	**11,162**
Financial liabilities				
Financial liabilities at amortised	-6	0	0	-6
Total financial liabilities	**-6**	**0**	**0**	**-6**

Note 19. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading as at 31st March 2017

	Classified as at fair value through profit & loss	Loans and receivables	Financial assets/liabilities at amortised cost	Total financial assets / liabilities
Financial Assets	**£000**	**£000**	**£000**	**£000**
Bonds	1,212,644	0	0	1,212,644
Equities	9,926,738	0	0	9,926,738
Index-linked securities	656,523	0	0	656,523
Pooled investment vehicles	1,600,718	0	0	1,600,718
Cash deposits (Investments)	0	136,580	0	136,580
Cash balances (not forming part of the investment assets)	0	32,549	0	32,549
Other investment balances		37,934	0	37,934
Debtors	0	47,605	0	47,605
Total financial assets	**13,396,623**	**254,668**	**0**	**13,651,291**
Financial Liabilities				
Other investment balances		0	-5,873	-5,873
Creditors	0	0	-20,088	-20,088
Total financial liabilities	**0**	**0**	**-25,961**	**-25,961**

All net gains or losses on financial instruments are on those classified as financial assets at fair value through profit or loss.

Comparative of Financial instrument classification as at 31st March 2016

Financial Assets	Classified as at fair value through profit & loss £000	Loans and receivables £000	Financial assets/liabilities at amortised cost £000	Total financial assets / liabilities £000
Bonds	1,129,723	0	0	1,129,723
Equities	7,896,646	0	0	7,896,646
Index-linked securities	580,259	0	0	580,259
Pooled investment vehicles	1,389,330	0	0	1,389,330
Cash deposits (Investments)	0	126,100	0	126,100
Cash balances (not forming part of the investment assets)	0	8,763	0	8,763
Other investment balances	0	40,689	0	40,689
Debtors	0	50,345		50,345
Total financial assets	**10,995,958**	**225,897**	**0**	**11,221,855**
Financial Liabilities				
Other investment balances	0	0	-5,950	-5,950
Creditors	0	0	-11,425	-11,425
Total financial liabilities	**0**	**0**	**-17,375**	**-17,375**

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

2015-16 £000	Current assets (Debtors)	2016-17 £000
	Debtors	
26,382	Contributions due from employees and employers	26,158
23,963	Other debtors	21,447
50,345	**Total current assets**	**47,605**

Further analysis by type of body:

2015-16 £000	Current assets by type of body	2016-17 £000
55	Central government bodies	34
42,959	Other local authorities	40,080
55	NHS bodies	53
1,161	Public corporations and trading funds	1,177
6,115	Bodies external to general government	6,261
50,345	**Total current assets**	**47,605**

Note 21. Current liabilities

2015-16 £000	Current liabilities	2016-17 £000
	Creditors	
-6,206	Unpaid benefits	-7,098
-5,219	Other current liabilities	-12,990
-11,425	**Total current liabilities**	**-20,088**

Further analysis by type of body:

2015-16 £000	Current liabilities by type of body	2016-17 £000
-4,247	Central government bodies	-4,622
0	Other local authorities	-8,000
0	NHS bodies	0
0	Public corporations and trading funds	0
-7,178	Bodies external to general government	-7,466
-11,425	**Total current liabilities**	**-20,088**

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 2016/17, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £347,130 in respect of support services provided (£438,136 in 2015/16). The support costs for 2016/17 included a full year support for financial, legal and information technology services and a part year charge for accommodation

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 the Annual report. Contributions in respect of March 2017 payroll are included within the debtors figure in note 20.

UK Central government bodies
The UK Government is a related party as it provides the statutory framework within which the Pension Fund operates. Balances outstanding with the Central government bodies are included within notes 20 and 21.

Members
The metropolitan councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel and the Joint Advisory Group. 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 West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £119,064 (2015/16 £117,964). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31st March 2017 was valued at £24.67m (£19.2m 31st March 2016), and has an original cost of £4.9m. There has been no investment activity with the Fund during 2016/17. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc, for which he is paid a fee.

Note 23. Nature and extent of risks arising from financial instruments

Risk and risk management
The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension Fund risk management programme.

The management of risk is set out in the Fund's Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at the end of this document and also at www.wypf.org.uk

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure that the Fund's investment portfolio, which is managed in-house, agrees with policy and strategy with regard to asset allocation.

The Fund routinely monitors all risks in accordance with the Fund's risk management strategy.

a) Market risk
Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's equity holdings are spread across more than 300 UK companies, and almost 900 foreign companies, and a range of unit trusts and managed Funds.

Risk is controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an Investment Strategy Review for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's actuary.

Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

b) Price risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period.

Asset type	2016-17 Potential market movement +/- (%pa)	2015-16 Potential market movement +/- (%pa)
UK equities	9.2	10.4
Overseas equities	8.3	9.6
UK gilts	6.3	6.1
UK corporate bonds	4.7	4.8
UK index-linked	7.5	7.3
Overseas bonds	9.0	9.1
Alternatives (universe)	3.1	4.4
Property	0.7	1.7
Cash	0.3	0.0

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.

This can then be applied to the period end asset mix as follows:

Asset type	Value as at 31st March 2017	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	4,740,451	9.2	5,176,572	4,304,330
Overseas Equities	5,186,287	8.3	5,616.749	4,755,825
UK Gilts	507,332	6.3	539,294	475,370
UK Corporate bonds	440,171	4.7	460,859	419,483
UK Index-Linked	592,134	7.5	636,544	547,724
Overseas bonds	329,530	9.0	359,188	299,872
Alternatives (universe)	1,018,426	3.1	1,049,997	986,855
Direct Property	7,000	0.7	7,049	6,951
UK Properties	503,700	0.7	507,226	500,174
Overseas Properties	78,592	0.7	79,142	78,042
Cash	136,580	0.3	136,989	136,170
Other investment assets	37,934	0.0	37,934	37,934
Other investment liabilities	-5,873	0.0	-5,873	-5,873
Total Investment Assets	**13,572,264**		**14,601,671**	**12,542,857**

Asset type	Value as at 31st March 2016	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Equities	4,394,978	10.4	4,852,056	3,937,900
Overseas Equities	3,501,668	9.6	3,837,828	3,165,508
UK Gilts	488,485	6.1	518,283	458,687
UK Corporate bonds	402,815	4.8	422,150	383,480
UK Index-Linked	522,880	7.3	561,050	484,710
Overseas bonds	295,802	9.1	322,720	268,884
Alternatives (universe)	846,428	4.4	883,671	809,185
Direct Property	6,500	1.7	6,611	6,390
UK Properties	487,331	1.7	495,616	479,046
Overseas Properties	55,571	1.7	56,516	54,626
Cash	126,100	0.2	126,352	125,848
Other investment assets	40,689	0.0	40,689	40,689
Other investment liabilities	-5,950	0.0	-5,950	-5,950
Total Investment Assets	**11,163,297**		**12,117,592**	**10,209,003**

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 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31st March 2016	Asset type	31st March 2017
£000		£000
1,129,723	Bonds	1,212,644
126,100	Cash deposits	136,580
8,763	Cash balances	32,549
1,264,586	**Total**	**1,381,773**

Interest rate risk - sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The assumed interest rate volatility is 100 basis point (BPS) per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 March 2017	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,212,644	12,126	-12,126
Cash deposits	136,580	1,366	-1,366
Cash balances	32,549	325	-325
Total change in assets avaialble	**1,381,773**	**13,817**	**-13,817**

Asset type	Carrying amount as at 31 March 2016	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,129,723	11,297	-11,297

Cash deposits	126,100	1,261	-1,261
Cash balances	8,763	88	-88
Total change in assets available	**1,264,586**	**12,646**	**-12,646**

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 2017 and 31 March 2016:

Currency exposure - asset type	**Value as at 31st March 2017**	**Value as at 31st March 2016**
	£000	**£000**
Overseas quoted bonds	265,141	238,423
Overseas unquoted bonds	0	0
Overseas quoted equities	4,531,286	3,014,307
Overseas unquoted equities	655,001	487,361
Overseas quoted index linked securities	64,389	57,379
Overseas unit trusts	596,484	473,380
Overseas Property funds	78,592	55,571
Total overseas assets	**6,190,893**	**4,326,421**

Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2015/16 6.0%).
A 6.0% 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 as at 31st March 2017**	**Value on increase**	**Value on decrease**
	£000	**£000**	**£000**
Overseas quoted bonds	265,141	281,049	249,233
Overseas unquoted bonds	0	0	0
Overseas quoted equities	4,531,286	4,803,163	4,259,409
Overseas unquoted equities	655,001	694,301	615,701
Overseas quoted index linked securities	64,389	68,252	60,526
Overseas unit trusts	596,484	632,273	560,695
Overseas Property funds	78,592	83,308	73,876
Total overseas assets	**6,190,893**	**6,562,346**	**5,819,440**

Asset type	**Value as at 31st March 2016**	**Value on increase**	**Value on decrease**
	£000	**£000**	**£000**
Overseas quoted bonds	238,423	252,728	224,118
Overseas unquoted bonds	0	0	0
Overseas quoted equities	3,014,307	3,195,166	2,833,449
Overseas unquoted equities	487,361	516,603	458,119
Overseas quoted index linked securities	57,379	60,822	53,936
Overseas unit trusts	473,380	501,783	444,977
Overseas Property funds	55,571	58,905	52,237
Total overseas assets	**4,326,421**	**4,586,007**	**4,066,836**

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.
In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition the Fund is fully indemnified by HSBC Securities on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 12.

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. Contingent liabilities and contractual commitments

At 31 March 2017 the West Yorkshire Pension Fund had the following un-drawn commitments

	Investment value at 31st March 2017 £m	Un-drawn commitments £m
Private equity	993.8	756.5
Property funds	582.3	100.3
Total	**1,576.1**	**856.8**

At 31st March 2016 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31st March 2016 £m	Un-drawn commitments £m
Private equity	715.6	440.8
Property funds	542.9	101.8
Total	**1,258.5**	**542.6**

Note 25. Accounting Developments

The following accounting standards have been issued but are not applicable for the year ending 31 March 2017.

IFRS 9 Financial Instruments (replacement of IAS 39)
The International Accounting Standards Board completed the final element of its comprehensive response to the financial crisis with the publication of IFRS 9 Financial Instruments in July 2014.
IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

Recognition and Measurement. IFRS 9 requires financial assets to be classified into one of three measurement categories:

- amortised cost;
- fair value through other comprehensive income (FVTOCI); or
- fair value through profit or loss (FVTPL).

These changes are not expected to have a significant impact on the Fund.

Note 26. Statement of Investment Principles

The West Yorkshire Pension Fund has prepared a Statement of Investment Principles (SIP) in accordance with the Local Government Pension Scheme (Management and Investment of Funds) (Amendment) Regulations 1999. The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 76A of the Local Government Pension Scheme Regulations 1997 (as amended). Full details of the SIP and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website www.wypf.org.uk.

West Yorkshire Pension Fund

Note 27. List of Participating Employers Contributing to the Fund

In 2016/17 456 employers paid contributions into the Fund, at the end of the year there were 422 employers with active members.

BRADFORD MDC
Leeds City Council
Calderdale MBC
Kirklees Council
Wakefield MDC
Abbey Grange CE Academy
Abbey Park Primary Academy
Absolutely Catering Ltd (BGS)
Accord Multi Academy Trust (Horbury)
Accord Multi Academy Trust (Ossett)
Ackworth Parish Council
Action For Children (Bradford Council)
Active Cleaning Ltd (Crofton Academy)
Addingham Parish Council
Affinity Trust
Aireborough Learning Partnership Trust
Airedale Academy
All Saints CE Junior School
Alwoodley Parish Council
Amey Community Ltd (Bradford Bsf Phase 1 Fm Services)
Amey Community Ltd (Bradford Bsf Phase 2 Fm Services)
Amey Community Ltd Phase 2 ICT Services
Amey Infrastructure Services Ltd (Wakefield)
Amey LG Ltd (Calderdale)
Appleton Academy
Aramark Ltd
Arcadis (UK) Ltd
Arts Council England
Aspens Services Ltd
Aspens Services Ltd (Appleton Academy)
Aspens Services Ltd (Leeds East Academy)
Aspens Services Ltd (Leeds West Academy)
Aspire Community Benefit Society Ltd
Aspire-I
B B G Academy
Bardsey Primary Foundation School
Barkerend Academy
Barnardos (Askham Grange Prison)
Barnardos (Bradford Childrens Centre BD5)
Barnardo's (Leeds Portage)
Batley Girls Academy
Batley Grammar School
Beech Hill School
Beeston Primary Trust
Bell Lane Academy
Belle Isle Tennant Management
Belle Vue Girls Academy
Bid Services
Bingley Grammar School
Birstall Primary Academy
Bishop Wheeler Catholic Academy Trust
Blessed Christopher Wharton Academy Trust
Blessed Peter Snow Catholic Trust (Kirklees)
Blessed Peter Snow Catholic Academy Trust (Calderdale)
Bolton Brow Primary Academy
Boothroyd Primary Academy
Boston Spa School
Bradford Academy
Bradford Birth To 19 Trust
Bradford College
Bradford College Education Trust
Bradford Councillors
Bradford Diocesan Academies Trust
Bradford District Care Trust
Bradford District Credit Union
Bradford Studio School
Bradford University
Bradshaw Primary School
Bramley St Peter's C Of E School
Brighouse Academy
Brighter Futures Academy Trust
Brigshaw Learning Partnership
British Gas Social Housing Ltd
Bronte Academy Trust (Haworth Primary School)
Bronte Academy Trust (Lees Primary School)
Bronte Academy Trust (Oakworth Primary School)
Brooksbank School Sports College
Bullough Contract Services (Bingley Grammar School)
Bulloughs Contract Services (Leeds College Of Art)
Bulloughs Contract Services Ltd
Bulloughs Contract Services Ltd (Brighouse Academy)
Burnley Road Academy
Buttershaw Business & Enterprise College
Cafcass
Calderdale & Kirklees Careers
Calderdale College
Calverley C Of E Primary School
Care Quality Commission
Carillion
Caroll Cleaning Company Ltd (Calderdale)
Caroll Cleaning Company Ltd (Wakefield)
Caroll Cleaning Company Ltd (Whetley)
Carroll Cleaning Co Ltd (Birkenshaw Primary School)
Carroll Cleaning Co Ltd (Bolton Brow Academy)
Carroll Cleaning Co Ltd (Holy Trinity Primary)
Carroll Cleaning Co Ltd (Lapage Primary School)
Carroll Cleaning Co Ltd (Lee Mount Primary School)
Carroll Cleaning Co Ltd (St Joseph's Bradford)

Carroll Cleaning Company Limited (Frizinghall)
Carroll Cleaning Company Limited (Thornbury)
Castle Hall Academy
Castle Hill Academy Trust
Castleford Academy
Cater Link Ltd (Crigglestone St James Primary Academy)
Catering Academy
Caterlink (Grove Lea Primary School)
Catholic Care
CBRE Managed Services Ltd
Chief Constable For West Yorkshire
Christchurch CE Academy
Churchill Contract Services (Bradford College Security)
Churchill Contract Services (Bradford College)
Churhcill Contract Services (BBG Academy)
Clayton Parish Council
Coalfields Regeneration
Cockburn School Academy
Colne Valley High Academy
Community Accord
Compass (Radillion) Leeds PFI Schools
Compass Contract (Buttershaw School)
Compass Contract Services (Green Lane)
Compass Contract Services (SPTA)
Compass Contract Services (UK) Ltd
Compass Contract Services (UK) Ltd (Chartwells)
Compass Contract Services (UK) Ltd (Minsthorpe Acad)
Compass Contract Services Ltd (Manor Corft)
Consultant Cleaners Ltd (WY Fire)
Co-Operative Academy Of Leeds
Cottingley Primary Academy
Craft Centre & Design Gallery Ltd
Crawshaw Academy (Red Kite Learning Trust)
Creative Support Limited
Crescent Further Education Limited
Crigglestone St James CE Primary Academy
Crofton High Academy
Darrington C Of E Primary School
David Young Community Academy
Deighton Gates Primary Foundation School
Denby Dale Parish Council
Diamond Wood Community Academy
Dixons Academies Charitable Trust
Ebor Gardens Primary Academy
Education Leeds Ltd
Elite Cleaning & Environmental Services Ltd
Engie Services Ltd
English Basketball
Exceed Academies Trust
Featherstone Academy
Featherstone All Saints C Of E Academy
Feversham College Academy
Feversham Primary Academy
Fieldhead Junior Infant & Nursery Academy
First West Yorkshire
Fleet Factors (Limited)
Foxhill Primary School
Gawthorpe Community Academy
Golcar Junior Infants & Nursery School
Greenhead College
Greenvale Homes Ltd
Greetland Academy
Groundwork Wakefield
Halifax High
Halifax Opportunities
Halifax Opportunities Trust (Calderdale)
Hanson School
Harden Primary School
Havercroft Academy
Heath View Academy
Hebden Royd Town Council
Heckmondwike Grammar School Academy
Hemsworth Academy
Hemsworth Town Council
Hepworth Gallery Trust
High Crags Academy
Hill Top First School
Hipperholme & Lighcliffe High School Academy
Hollingwood Primary School
Hollybank Trust
Holme Valley Parish Council
Holy Trinity Academy
Home Farm Trust
Honley High School
Horbury Academy
Horbury Bridge CE J & I School
Horsforth School Academy
Horsforth Town Council
Horton Housing Association (Bradford)
Horton Housing Association (CSL)
Horton Housing Association (OPHRS)
Huddersfield New College
Huddersfield University
Hugh Gaitskell Primary School Trust
I S S Facilities Services Ltd
I S S Mediclean Ltd
Igen
Igen Ltd
Ilkley Grammar School Academy
Ilkley Parish Council
Incommunities
Initial Catering Services
Initial Facilities Management Ltd
Inspire Partnership Multi Academy Trust
Interserve (Facilities Management) Ltd
Interserve (FM) Ltd (P.C.C For West Yorkshire)
Interserve Academies Trust Ltd (Crawshaw Academy)
Interserve Project Services Ltd

Iqra Academy
Jerry Clay Lane Academy
John Smeaton Academy
Joseph Norton Academy
Keelham Primary School
Keepmoat Property Services Ltd
Keighley Town Council
Khalsa Science Academy
Kids
Killinghall Primary School
King James School
Kirkburton Parish Council
Kirklees Active Leisure
Kirklees College
Kirklees Councillors
Kirklees Neighbourhood Housing
Knottingley St Botolphs C Of E Academy
Lady Elizabeth Hastings
Laisterdyke Leadership Academy
Lane End Primary Trust
Learning Accord Multi Academy Trust
Leeds Beckett University
Leeds Cc Councillors
Leeds Centre For Integrated Living
Leeds Citizens Advice Bureau
Leeds City Academy
Leeds City College
Leeds College Of Art & Design
Leeds College Of Building
Leeds College Of Music
Leeds East Primary Partnership Trust
Leeds East-North East Homes
Leeds Grande Theatre & Opera House
Leeds Groundwork Trust
Leeds Housing Concern
Leeds Institute For The Blind
Leeds Jewish Free School
Leeds Metropolitan University
Leeds Mind
Leeds North West Education Partnership
Leeds Racial Equality
Leeds Trinity University College
Leeds West-North West Homes
Leodis Academies Trust
Liberty Gas Group Ltd
Lidget Green Community Co-Operative Learning Trust
Lightcliffe CE J&I School
Lighthouse School
Lindley C E Infant Academy
Lindley Junior School Academy
Locala
Longroyde Junior School
LPM Cleaning Ltd
Luddendenfoot Academy
Making Space
Manston St James Academy
Mast Academy Trust
Mears Facilities Services (South)
Mears Facilities Services (West)
Mears Ltd
Mellors Catering Services (Southfield Grange)
Meltham Town Council
Menston Parish Council
Merlin Top Primary Academy
Micklefield Parish Council
Middleton Primary School Trust
Minsthorpe Academy Trust
Mirfield Free Grammar Academy
Mitie (PFI Ltd)
Mitie Pest Control
Moor End Academy Trust
Morley Town Council
Mount Pellon Primary Academy
Myrtle Park Primary School
N I C Services Group Ltd (Cookridge Holy Trinity School)
National Assembly For Wales
National Coal Mining Museum
New College Pontefract
Nic Services Group Ltd
Normanton Town Council
North Halifax Grammar Academy
North Halifax Partnership Ltd
North Huddersfield Trust School
North Kirklees CAB
Northern School Of Contemporary Dance
Northorpe Hall Trust
Notre Dame 6th Form College
NPS (NE)
NPS Leeds Limited
Oakbank School
Oakworth First School
Oasis Academy Lister Park
Ofsted
Old Earth Academy
One In A Million Free School
Open College Network Yhr
Ossett Academy & 6th Form College
Ossett Pension (Trust)
Otley Town Council
Our Lady Of Victories Catholic Primary Academy
Outwood Grange Academy
Outwood Primary Academy Kirkhamgate
Outwood Primary Academy Ledger Lane
Outwood Primary Academy Lofthouse Gate
Overthorpe C Of E Academy
Park Lane Learning Trust
Pennine Housing 2000 Limited
Pinnacle Business Services (Leeds)

Pinnacle Ltd (Kirklees)
Pontefract Academies Trust
Pontefract Education Trust
Pool Parish Council
Priesthorpe School Trust
Priestley Academy Trust
Primrose Lane Primary Foundation School
Prince Henrys Grammar
Prospect Services
Prospects Services (Bradford 3)
Prospects Services Ltd 2012 (Bradford)
Prov Compass Contract Services (SPTA)
Prov Kinsley Academy
Prov Tns Catering (SPTA)
Prov Tns Catering Man Ltd (St Botolphs)
Pudsey Grangefield Trust
Rainbow Primary Free School
Rastrick High School Academy Trust
Rawdon Parish Council
Reevy Hill Primary School
Ridge Crest Cleaning Ltd
Ripon Diocesan C Of E Council For Social Aid-Cardigan House
Ripon House
RM Education Plc
Rodillian Academy
Rooks Nest Academy
Rothwell Church Of England Primary Academy
Royds Community Association
Royds Hall Trust School
Royds Learning Trust
Russell Hall First School
Ryburn Valley Academy
Ryecroft Primary Academy
Ryhill Parish Council
Salendine Nook Academy Trust
Salterlee Academy Tust
Samuel Lister Academy
Sandal Magna Community Academy
School Partnership Trust Academies
Schools Lettings Solutions (Freeston Academy)
Scout Road Academy
Sea Fish Industry
Servest BBG Academy
Shanks Waste Management Ltd
Share Multi Academies Trust
Shibden Head Primary Academy
Shipley College
Shirley Manor Primary Academy
Sita UK Ltd
Sitlington Parish Council
Skills For Care
South Elmsall Town Council
South Hiendley Parish Council
South Kirby & Moorthorpe Town Council
South Leeds Academy
South Oseet Infants
Southern Electric
Southfield Grange Trust
Southmere Primary Academy
Southway At The Rodillian Academy Ltd
Spen Valley Foundation Trust
Spie Ltd
Springwell Academy Leeds
St Annes Catholic Primary Academy
St Annes Community Services
St Annes Community Services (Bradford)
St Chads C Of E Primary School
St Giles Church Of England Academy
St Helens CE Primary Academy
St John's (CE) Primary Academy Trust
St Johns CE Primary School
St Johns Hostel
St Johns Primary Academy Rishworth
St Michael & All Angels School
St Michaels CE Academy
Suez Recycling And Recovery UK Limited
Swallow Hill Community College Academy
Taylor Shaw
Taylor Shaw Ltd (Batley Girls High School)
Taylor Shaw Ltd (Fieldhead Grimes Manston)
Taylor Shaw Ltd (Parklands Primary)
Taylorshaw Ltd (Cookridge Holy Trinity School)
Taylorshaw Ltd (Crossgates Beechwood Whitelaith)
Taylorshaw Ltd (Interserve Crawshaw)
Taylorshaw Ltd (Swarcliffe Primary School)
Temple Learning Academy
The Anah Project
The Beckfoot & Hazelbeck Academy Trust
The Bishop Konstant Catholic Trust
The Cathedral C Of E
The Crossley Heath Academy Trust
The Freeston Academy
The Gorse Academies Trust
The John Curwen Co-Operative Primary Academy
The Lantern Learning Trust
The Maltings Learning Trust
The Police & Crime Commissioner For West Yorkshire
Thornbury Academy
Thornhill Community Academy
Thornhill Junior And Infant School
Thornton Grammar School
Thornton Primary School
Todmorden Town Council
Together Housing Association Ltd (Greenvale)
Together Housing Association Ltd (Penninne)
Tong High School
Tong Leadership Academy
Trinity Academy Halifax

Turning Point
Turning Point (Wakefield)
United Response
University Academy Keighley
University Technichal College Leeds
Upp Residential Services
Victoria Primary Academy
Wakefield & District Housing
Wakefield City Academy
Wakefield College
Wakefield Councillors
Waterton Academy Trust
West End Academy
West Vale Primary School
West Yorkshire Combined Authority
West Yorkshire Police
Westborough High School
Westwood Primary School Trust
Wetherby Town Council
Whitehill Community Academy
William Henry Smith School
Wilsden Primary School
Wolseley UK Ltd
Woodhouse Grove School
Woodkirk Academy
Woodside Academy
Worth Valley Primary School
WRAT - Leeds East Academy
WRAT - Leeds West Academy
WY Fire & Rescue
WY Magistrates Court Service
Yorkshire Housing Ltd
Yorkshire Museums
YPO

This glossary is provided to assist the reader. It offers an explanation of terms in common use in relation to local authority finance, many of which are used within this document.

Accruals

Income and expenditure are recognised as they are earned or incurred. When income is due to the Council but has not been received an accrual is made for the debtor. When the Council owes money but the payment has not been made an accrual is made for the creditor.

Assets Held for Sale

These are assets previously used in the provision of services by the Council which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

Associated Company

A company over which the Council is able to exercise significant influence (see also Group Accounts).

Capital Adjustment Account

The Capital Adjustment Account (CAA) was set up in 2008-9 following UK GAAP accountancy changes and replaces the Capital Financing Account. It is required to ensure that both sides of the Balance Sheet remain in balance, and increases and decreases in asset valuations are credited and debited to this account as appropriate following asset revaluations.

Capital Charges

Charges to services for the use of assets. They comprise depreciation, based on the current value of the assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets, or which adds to, and not merely maintains, the value to the Council of existing fixed assets. Fixed assets provide economic benefits to the Council for a period in excess of one year.

Capital Financing Requirement

A measure defined by the Prudential Code of the Council's level of borrowing for capital purposes. It is based on the Balance Sheet of the Council. It is the basis for calculating the charge to be made to revenue for debt repayment each year (see Minimum Revenue Provision).

Capital Receipts

Income from the disposal of land and other assets and from the repayment of grants and loans made to others for capital purposes. The income can only be used either to finance new capital spending or to reduce the capital financing requirement through the repayment of debt.

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

This document is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). It defines proper accounting practices for local authorities in the United Kingdom, and is generally abbreviated to 'the Code' in the text. The Code is based on International Financial Reporting Standards.

Collection Fund

The fund deals with the collection and distribution of Council Tax and non-domestic rates. Surpluses may arise from time to time if the amounts collected from Council Tax (and its predecessor, community charge) exceed estimates. Such surpluses cannot be used directly to fund expenditure, but can be taken into account through the budget process and used to reduce Council Tax.

Community Assets

Assets such as parks and historic buildings that the Council intends to hold in perpetuity and that may have restrictions on their disposal.

Consistency

The concept that the accounting treatment of any given item will remain consistent between accounting years and that any necessary change will be made clear to the reader of the statement of accounts.

Contingent Liabilities

These are material liabilities where the contingent loss cannot be accurately estimated or is not considered sufficiently certain to include in the accounts. They are therefore brought to the attention of readers of the accounts as a note to the Balance Sheet.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Debtors

Sums of money owed to the Council but not received at the end of the year.

Depreciation

A capital charge made to services for the use of fixed assets in the provision of services. It represents the depletion of the useful life of an asset and the consequent reduction in its value.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the leased assets are recognised on the Balance Sheet of the lessee.

Financial Instruments
A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Council.

Financial Reporting Standards (FRS)

Accounting practice to be followed in the preparation of accounting statements in the years prior to 2010-11. For example FRS17 governs the way in which pension liabilities must be presented in the accounts. From 2010-11 onwards FRS will be fully replaced by IFRS (International Financial Reporting Standards), see below.

General Fund

All services other than those which authorities are required to account for separately in a Housing Revenue Account or Collection Fund.

General Reserves and Balances

Monies held by the Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Group Accounts
Where authorities have material interests in subsidiaries, associated companies or joint ventures they are required to prepare additional group account statements. The group accounts consolidate those interests in subsidiaries, associates and joint ventures with the Council's own accounts to present a complete picture of the Council's activities.

Heritage Assets
These are assets, previously classified as community assets, which are intended to be preserved in trust for future generations because of their cultural, environmental of historical associations.

International Financial Reporting Standards (IFRS)
These are accounting standards issued by the International Accounting Standards Board.

Impairment
A diminution in value of fixed assets resulting from obsolescence, physical damage or general market conditions. The Council undertakes annual reviews of its assets to identify impairment.

Comprehensive Income and Expenditure Statement

This statement is compiled in accordance with IFRS and reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

Infrastructure Assets

These are assets such as highways and footpaths.

Investments

These may be long-term investments whose purpose is to produce capital gain and rental income, or the short-term investment of cash balances that may arise from day to day management of the Council's cash flow.

Investment Properties

Land and buildings that are held for capital gain and rental income and not for the provision of services.

Joint Venture

A company or body in which decisions require the consent of all participants (see also Group Accounts).

Liabilities

Amounts due to individuals or organisations and to be paid at some time in the future. Current liabilities are payable within one year of the Balance Sheet date.

Local Area Agreement (LAA)

The LAA is a partnership between the Council and other public bodies whose aim is to work together towards jointly agreed objectives to improve local public services. The Council's LAA partners comprise local health bodies, learning bodies, community groups, housing associations and voluntary associations.

Materiality

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)

This is the minimum amount of external borrowing that authorities must repay and charge to their revenue accounts each year. It is calculated as a percentage of the Council's capital financing requirement at the start of the year.

Non Current Assets

Assets that yield economic benefits to the Council for a period of more than one year. Examples include land, buildings, vehicles and investment property.

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 fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Leases

Leases other than finance leases. Under operating leases the risks and rewards of ownership remain substantially with the lessor. Consequently, the assets concerned are not included on the Balance Sheet of the lessee.

Property, Plant and Equipment (PPE)

These are non-current assets used directly to deliver the Council's services. The assets comprise land, buildings and plant with a carrying value in the Balance Sheet based on current value in use. PPE also includes equipment like vehicles, which are valued at historic cost.

Precept

The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the Council on their behalf through the Council Tax.

Prior Year Adjustments

Material adjustments applicable to prior period, arising from changes in accounting policies or from other corrections.

Private Finance Initiative (PFI)

A central government initiative that enables authorities to carry out capital projects through partnership with the private sector.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Prudential Code

The Code ensures that authorities borrow only for capital purposes and that they borrow responsibly and at affordable levels. Authorities demonstrate compliance with the code by setting and observing a range of prudential indicators covering the level of capital expenditure, the cost of borrowing and level and structure of its debt.

Related Parties

Individuals, or bodies, who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure

Expenditure on the day-to-day running costs of services, such as the costs of employees, premises, supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Amounts properly incurred as capital expenditure, but where no Council asset is created. They are mainly grants or loans made to individuals or organisations for capital purposes, such as improvement grants.

Revenue Reserve

Any sum set aside for a specific revenue purpose.

Revenue Support Grant (RSG)

A general government grant towards the cost of providing services.

Subsidiary

A company or body over which the Council has control or has the right to exercise dominant influence (see also Group Accounts).

UKGAAP

UK Generally Accepted Accounting Principles. This is a framework of accounting standards for financial reporting standards, which have been replaced by International Financial Reporting Standards from 2010-11 onwards.

Acronym	Full Description
AVCs	Additional Voluntary Contributions
BID	Business Improvement District
BDCT	Bradford District Care Trust
BPS	Base Points
BSF	Building Schools for the Future
BMW	Biodegradable Municipal Waste
CAA	Capital Adjustment Account
CCG	Clinical Commissioning Group

CFR	Capital Financing Requirement
CIES	Comprehensive Income & Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
CSR	Comprehensive Spending Review
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EIR	Effective Interest Rate
EUV	Existing Use Value
FRS	Financial Reporting Standards
FSS	Funding Strategy Statement
GAAP	Generally Accepted Accounting Principles
HRA	Housing Revenue Account
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISB	Individual School Budget
IT	Information Technology
JANES	Joint Arrangement which is not an Entity
LAA	Local Area Agreement
LATS	Landfill Allowances Trading Scheme
LEA	Local Education Authority
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option
MAP	Management Action Plans
MDCs	Metropolitan District Councils
MRP	Minimum Revenue Provision
NEET	Young people Not in Education, Employment or Training
NDR	Non Domestic Rates
NJC	National Joint Council
OJC	Officers' Joint Council
PCT	Primary Care Trust
PFI	Private Funding Initiative
PfS	Partnership for Schools
PPE	Property, Plant & Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index

RSG	Revenue Support Grant
SIP	Statement of Investment Principles
SOLACE	Society of Local Authority Chief Executives
WDA	Waste Disposal Authority
WYCA	West Yorkshire Combined Authority
WYPF	West Yorkshire Pension Fund
WYITA	West Yorkshire Integrated Transport Authority
VAT	Value Added Tax
YPO	Yorkshire Purchasing Organisation

ANNUAL GOVERNANCE STATEMENT 2016-17

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 2017 and up to the date of approval of the Statement of Accounts. Whilst supporting the Council's arrangements for risk management, it cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

2. The Governance Framework.

The systems and processes that comprise the Council's governance comprise the following key elements:

2.1 Code of Corporate Governance.

The Council's governance structure will be based on the seven core principles of the new CIPFA/SOLACE framework "Delivering Good Governance in Local Government" –

- 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, provides the framework within which the Executive takes decisions in discharge of the Council's functions, subject to the examination of a number of Overview and Scrutiny Committees. The Executive is collectively responsible for the decisions it makes and its decision making arrangements are designed to be open, transparent and accountable to local people.

2.3 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Behaving with integrity

- The Council fosters a culture of behaviour based on shared values, ethical principles and good conduct.
- The Council is committed to maintaining its values and integrity. It has a whistle blowing policy embodied in the Confidential Reporting Code for Employees which can be accessed on the Council's web site.

Demonstrating strong commitment to ethical values

- The Council has approved a Code of Conduct for Elected Members and a procedure for dealing with complaints.
- The Standards Committee's role was retained to have responsibility for overseeing the operation of the Code and for promoting high standards of conduct.

In addition, the Council's Constitution establishes:-

- A protocol on member-officer relations providing rules and guidance for members, co-opted members and officers in their working relations.
- Protocols for members on gifts and hospitality and members' use of Council resources including the use of email and the internet.
- Members and officers have been provided with guidance on the framework within which they are required to undertake their different roles
- Employees are expected to comply with the Council's Code of Conduct for Employees.

Respecting the rule of law

- The Council's Monitoring Officer is required to maintain an up to date version of the Constitution and to make amendments and/or improvements as necessary to take account of changes in legislation, guidance, Council policy, decisions of the Council and the Executive.
- The Monitoring Officer, following consultation with the Chief Executive and the Section 151 Officer, is required to report to the Executive if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. To assist the Monitoring Officer in this role, Legal Services monitor new legislation and disseminate this information to service departments.
- The Section 151 Officer is similarly required to report to the Executive and the Council's External Auditor if he considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is likely to cause a loss or deficit.
- Each Strategic Director and the Chief Executive are required to confirm in an annual letter to the Section 151 officer that they have taken reasonable steps to ensure compliance with established policies, procedures, laws and regulations, including how risk management is embedded in the Departments. This is underpinned by performing the key control and fraud risk self assessments and levels of non compliance are duly considered.
- The Council has a Counter Fraud Policy and Strategy to protect public funds by actively seeking to deter and prevent fraud, corruption and theft and ensure that all possible risks are minimised.
- The reports of Internal and External auditors consider and inform compliance with regulations, policies and procedures.
- The Council has established internal control procedures designed to support compliance with established policies, practices, laws and regulations and to safeguard the Council's assets and interests from loss
- All reports to Executive must be cleared by a member of the Council's Management Team, the Monitoring Officer and the s151 Officer.

2.4 Ensuring openness and comprehensive stakeholder engagement.

Openness

- The Council has five Area committees to encourage community engagement and participation.
- A principal form of securing dialogue with communities is by establishing and operating neighbourhood and ward forums.
- The Council supports a process of engagement with the District's communities of interests that complements our place based structures.
- Overview and scrutiny arrangements provide for meetings to be open to the public, except where confidential information or exempt information is likely to be disclosed.
- The Annual Statement of Accounts provides a report on the Council's financial activities for the year.
- Financial information, including details of efficiency savings, is reported regularly during the year.
- The Council has published a contracts register (which will be updated quarterly) and a grants register (which will be updated annually) in accordance with the Local Government Transparency Code.

Engaging comprehensively with institutional stakeholders

- The role of the Governance and Audit Committee includes maintaining an overview of the Council's partnership arrangements and overseeing any action plans for improvement arising, for example, from inspection reports.
- The Council has an agreed approach to collective bargaining with the recognised Trade Unions. This is undertaken through consultation and negotiation and is enshrined within the Council's Industrial Relations Framework. The Council takes a partnership approach to Industrial Relations, using the Industrial Relations Framework. This includes regular informal discussions between trade unions and management & formal OJC meetings at all levels across the Council - L1 (Corporate), L2 (Departmental) & L3 (Service).
- Bradford District Partnership (BDP), as the Local Strategic Partner for the area, ensures that the governance arrangements of the family of partnerships function well, in order to support the delivery of the Bradford District Strategy. The BDP reports to the Governance & Audit Committee on governance and functional business matters and to Overview and Scrutiny Committees on topic based performance and delivery.
- The Schools Forum is effective as the place where resource allocation decisions are made between the Council and the District's schools
- To support the Health and Wellbeing Board, governance arrangements for senior leaders and managers in the health and social care economy have been established to oversee the development of integrated health and social care models, and to ensure oversight of the whole system of public and personal health and social care

Engaging with individual citizens and service users effectively

- An extensive programme of consultation on the annual budget generated considerable engagement and input into the establishment of the Council's budget priorities. The consultation raised awareness of the financial and demand challenges facing the district, confirming what matters most to local people and exploring public expectations and aspirations for involvement in future delivery.
- Bradford Council's Citizen Panel was launched in November 2016. The panel consists of approximately 1800 Bradford citizens who fit the demographic profile of the district. Panel members have agreed to complete up to 10 surveys a year that will be electronically distributed through the Council's Snap survey system. The surveys will be designed to capture information on a whole range of different issues that the Council wishes to engage on and the outcome will help to shape local services. The panel has been set up to give people the chance to tell us about the area that they live in, what they think of the services we provide and whether they think we are doing a good job. It will also help us to find out what people think of lots of different projects, strategies and other things that we have planned.
- Publications, media, including social media, the Council's website, App and other publicity arrangements provide communication channels with the district's citizens.
- The Council's website and App provide a communication and wide ranging information link.
- Centres provide easy access to Council services and information.

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2.5 Defining outcomes in terms of sustainable economic, social, and environmental benefits

Defining outcomes

- The District Plan has been developed with key partners and partnerships, and builds on the BDP governance review, giving a clear responsibility for each outcome to a specific strategic partnership. The development of the plan also involved overview and scrutiny committee and area committee input.
- The final District Plan was agreed by Bradford District Partnership Board on 22 April 2016. Building on the outcomes and principles established via the Council's New Deal approach it sets out a clear vision and agreed actions over the next four years to 2020.
- A plan for communicating and engaging around the key messages of the plan, and promoting its delivery has been developed after Executive and Full Council sign off in June and July 2016.
- A Council Plan was approved in October 2016 which identifies how the Council will deliver the commitments established in the District Plan.
- A review of Bradford District Partnership arrangements established a clear lead partnership for each of the agreed outcomes that form the Council and District's vision. Each partnership is responsible for a "chapter" of the District Plan.

Sustainable economic, social, and environmental benefits

- The Council is committed to considering the combined economic, social and environmental implications of its decisions through robust data analysis and consultation with affected parties so that its decisions promote the achievement of its vision for the district.
- Reports requiring decisions from Council, Executive and other committees must include a resources appraisal and reference, where applicable, to equality, sustainability and community safety implications.

2.6 Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

- Decision makers receive accurate, relevant and timely intelligence and performance information to support them with objective and rigorous analysis of options covering intended outcomes, financial impact and associated risks.
- The Council is committed to seeking continuous feedback from citizens and service users in planning changes to service delivery.

Planning interventions

- The Council plans its activity at a strategic level through its budget and business planning cycle. It does so in consultation with internal and external stakeholders.

Optimising achievement of intended outcomes

- The Medium Term Financial Strategy forms part of the Council's planning and performance framework, and provides the context for the more detailed budgeting process.
- The MTFS is refreshed each year, to give a rolling three-year assessment of the fiscal environment, after the close of the previous year, and before the budgeting round commences.
- It sets out key messages for efficient and effective management of the available resources. It aims to provide citizens and stakeholders with an insight into the financial environment the Council operates in.

2.7 Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Developing the entity's capacity

- The Council monitors its governance and staffing structures to support the delivery of planned services.
- Through its budget process the Council ensures that services are prioritised to ensure that resources are directed to those activities that will make the greatest contribution to its vision for the district.
- The Council explores alternative delivery methods such as the establishment of partnerships or other types of collaborative working where it would lead to improved value for money.

Developing the capability of the entity's leadership and other individuals.

- A clear statement of the respective roles and responsibilities of the Executive, the members and senior officers including delegation arrangements and protocols for effective communication of committee decisions, can be found in the Council's constitution.
- Role Profiles for all senior officers detail their key responsibilities
- The Council is committed to supporting members in undertaking their varied and evolving roles and responsibilities. A Member Learning and Development Strategy is in place supported by a Member Development Programme which is run on a quarterly basis by the Human Resources Department.
- The Strategy introduces the key learning and development aims and objectives. It also identifies actions that will be taken to ensure all councillors have access to learning and development opportunities appropriate to their needs. The aim of this is to help councillors carry out their roles efficiently and effectively.
- The Council recognises that alongside members, employees are an important resource - the development of the two goes hand in hand. The Council's workforce development programme provides a focus on effective workforce planning and development, embracing leadership and skills training for all staff.
- During the year a series of management conferences ensured that the Council's senior and middle leadership cadres considered the key challenges ahead.

2.8 Managing risks and performance through robust internal control and strong public financial management

Managing risk

- The Council has adopted a Risk Management Strategy and maintains both corporate and service risk registers which identify actions required to mitigate any risks identified. The registers should be regularly maintained, reviewed and updated. In 2016-17 further work on risk management was required to establish the appropriate reporting structure.
- Risk management training is standard within project management and at particular key stages of project implementation.
- Each Strategic Director and the Chief Executive are required to confirm in an annual letter to the Section 151 officer that they have taken reasonable steps to ensure compliance with established policies, procedures, laws and regulations, including how risk management is embedded in the Departments. This is underpinned by performing the key control and fraud risk self assessments and levels of non compliance are duly considered.
- The Council has a Counter Fraud Policy and Strategy to protect public funds by actively seeking to deter and prevent fraud, corruption and theft and ensure that all possible risks are minimised.
- The Council is committed to providing for business continuity, as detailed in the Civil Contingencies Act 2004, to ensure it can provide all its key functions in the event of an emergency or disruption, so far as is practicable. Assistant Directors lead on business continuity planning within their service areas. The Emergency Management Team has put in place processes that set out the Council's approach to business continuity management.

Managing performance

- The Council uses corporate and departmental service level performance measures to report and manage service delivery.
- The Annual and Mid-year Finance and Outturn Performance Reports, and Quarterly Financial Monitoring Reports, present to the Executive and Corporate Overview & Scrutiny the current and forecast position on performance and finance in relation to the Council's activities. The report sets out the key areas of progress, the key issues, areas for continued attention in relation to the Council's corporate priorities and actions to address any areas of underperformance.
- The Council now has a well established way of measuring productivity and financial activity data to ensure that it is using its resources efficiently and providing value for money.
- A set of Corporate Indicators is in place that focuses on key Council priorities. The Corporate Performance Framework is revised in line with the changes to our performance arrangements. Performance will continue to be monitored through Departmental Management Teams, CMT, Council's Policy Programmes and Change Service within the Chief Executive's department, Executive and Overview & Scrutiny Committees.
- There are service specific customer feedback and user engagement mechanisms in place, and user-specific engagement methodologies such as Learning Disabilities Partnership and Easier Access events that allow the Council systematically to gather customer insight.

Robust internal control

- Under the Articles of the Constitution, the Governance and Audit Committee has a function to consider the effectiveness of the control environment and associated anti-fraud and anti-corruption arrangements.
- The Section 151 Officer has dedicated resources to undertake independent investigations and report on allegations of impropriety.
- The Council has a formal 'Comments, Complaints and Compliments' procedure on the "Contact us" section of the Council's website. All members of the public have the right to complain to the Council in writing, by telephone or by speaking to a member of staff.

Managing data

- A separate and independent information security team supports the Senior Information Risk Owner (SIRO) to discharge his responsibilities in championing an information security culture, establishing policy, practice, process, training, knowledge and technology, and assessing the effectiveness of those arrangements.
- The SIRO is supported by a distributed network of Information Asset Owners (at Assistant Director level) who in turn are supported by department and or system-specific information security managers
- The Bradford team liaises closely with peer function in other public bodies in West Yorkshire and beyond, and with the Information Commissioner's Office (ICO)
- The Council underwent a voluntary audit by the ICO on the procedures supporting subject access requests, training and development and data sharing agreements

Strong public financial management

- The Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government 2010"
- The Council has effective, robust, financial control governance in place which ensures that budget holders have clear financial accountability, are supported by professional finance advisors, and provided with financial information to plan and control spending, all underpinned to effective financial systems. These arrangements include well-established financial regulations and standing orders. Elected members are appropriately involved in financial governance. In addition, project management disciplines are applied to the planning, monitoring and implementation of each individual budget saving approved by the annual Budget Council. This provides a mechanism by which risks of failure to implement changes and/or deliver savings can be identified and mitigated early in the financial year. These arrangements have ensured that the Council has delivered its annual budget target in the very challenging financial climate of austerity.

2.9 Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Implementing good practices in transparency

- The Council is committed to publishing information, including reports, in a manner which is accessible to citizens and other stakeholders.
- Information is produced in an open and understandable style appropriate to the intended users and method of communication, including web-based and social media.

Implementing good practices in reporting

- The Council seeks to demonstrate to its stakeholders that it has delivered on its commitments and goals and has used public resources effectively in doing so.
- The Finance and Performance Outturn report provides a detailed commentary on the financial and service performance of all Council services.
- The Council has a legal responsibility to conduct, at least annually, a review of the effectiveness of its governance framework including its system of internal control and report the findings in an Annual Governance Report.

Assurance and effective accountability

- Council standing orders for contracts and financial regulations are contained in the Constitution of the Council. They are subject to annual review by officers before approval at the Governance and Audit Committee and adoption by full Council at the annual meeting.
- Key control booklets are maintained by Internal Audit, updated as required and placed on the Council's intranet.
- The Council has 5 Overview and Scrutiny Committees which are required to contribute to the better decision making of the Council, and secure continuous improvement in service delivery.
- Area Committees enable local communities to participate in Council activities.
- Bradford District Partnership board are currently considering how they ensure greater accountability from the partnerships to the Board, via regular reporting on progress at future Board meetings.

3. Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment. Confirmations have been obtained from Strategic Directors and the Chief Executive that reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations. They have been asked to confirm that risk management is embedded in their departments, provide a fraud risk assessment and to report, on a three year rolling programme, the level of compliance with key controls that are set out in the Key Control Booklets.

The Council has in place a Governance and Audit Committee, independent of the Executive, to strengthen and consolidate its governance arrangements and provide the core functions as identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities".

The review is informed also by the work of the Internal Audit section which covers both the Council and the West Yorkshire Pension Fund. The key areas of assurance relate to the work detailed in their monitoring reports on the Council's control environment which are reported at regular intervals to Governance and Audit Committee. The Head of Internal Audit is required to deliver an annual Internal Audit Opinion and report regularly to the Governance and Audit Committee as prescribed by Public Sector Internal Audit standards. A number of operational control issues have been identified from this and action is being taken to put improvements in place.

Action plans for improvement are devised and implemented in response to recommendations from External Audit and other statutory agencies and inspectors.

The Council liaises fully and promptly with the Local Government Ombudsman's enquiries into complaints against the Council.

The Council liaises closely with the Information Commissioner's Office in reporting and closing information security risks and incidents, and to ensure it discharges fully its duties under Data Protection legislation and policies.

4. Significant governance issues

The annual review has established that the Council has arrangements in place which provide a sound governance framework and system of internal control.

However the Council is not complacent and seeks to continually improve the arrangements it has in place. Whilst recognising improvements to date, the emphasis going forward is to address identified issues and put in place an improvement plan to address known areas of concern. The Governance and Audit Committee will be kept informed of progress.

In the 2015/16 Annual Governance Statement a number of specific risks were identified that have been monitored through the year. Progress on these was reported to the Governance and Audit Committee in a detailed public report on the 24th January 2017. The following sections give a brief update on these risks. Whilst some of these risks have been mitigated during the 2016/17 financial year a number of risks are continuing to be monitored and remain high profile in 2017/18.

5. Governance challenges previously recognised which require continuing review in 2017/18

5.1 Safeguarding Vulnerable Children

A permanent manager has now been recruited to the Safeguarding Children Board and a new board sub group structure put in place that is more fit for purpose moving forward. Robust arrangements at the front door have been reviewed through Joint Area Inspection and found to be good. Progress on CSE has been subject to extensive public and political scrutiny. However a large and growing youth population and rising numbers of vulnerable young people coming into the system, including from outside of the area, mean that safeguarding children remains a challenge

5.2 Establishing sound governance structures pertaining to the West Yorkshire Combined Authority ensuring democratic accountability at the local level.

WYCA continues to develop through its Corporate Plan, governance, investments and core activities. Further governance and organisational changes are expected to be brought forward and adopted at the WYCA AGM 29th June 2017. These include those instructed by Government and legislation and additional matters including strengthening the working arrangements of the Local Enterprise Partnership, business involvement and Combined Authority governance and business management. Member involvement is through key nomination and appointment processes, confirmed at the Council's AGM. Members are also kept informed through WYCA and Council core communications and business activities. O&S & Governance and Audit updates are being put in place for 2017-18.

5.3 Impact on governance structures arising from developing policies for the delivery of regional devolution.

Mayoral Combined Authorities came into being following the Mayoral Elections on 4th May 2017. These will bring changes to local government and sub-national governance in the six areas (Greater Manchester, Liverpool City Region, West Midlands, Tees Valley, West of England and Cambridgeshire and Peterborough) alongside existing London arrangements. Bradford Council in cooperation with WY and Leeds City region remain in negotiation with Government on devolution and further powers and resources for place-based prosperity. DCLG have signalled they wish to see agreement reached by the end of 2017. Ensuring the effective voice and profile for Bradford Council, District and the City Region remains a priority, with specific ambitions and concerns to progress. This will also be shaped by the General election, the nature of the new Government and their policy/resource choices in urban and sub-national matters.

5.4 Ensuring an effective, integrated system of health and social care

Accountable Care Boards have been established to govern the development of the two Accountable Care Systems across Bradford District. The Health and Wellbeing Board will oversee the implementation of the Bradford Sustainability and Transformation Plan.

In Bradford it has been agreed that the Council will lead a feasibility study into the legal options for the legal entity to form the Accountable Care System.

Discussions are still ongoing regarding the form in the Airedale, Wharfedale and Craven area.

Providers of services, which include the Council are working together within an agreed memorandum of understanding in Bradford.

5.5 Implications of the European Union referendum

Although Article 50 has now been triggered, the likely terms of the UK's exit deal with the EU are not known. Therefore there is still uncertainty and lack of clarity on future arrangements in respect of trade, migration/movement of citizens, and replacement funding streams. Clarity on the UK's negotiating position is further complicated by the snap General Election held in June 2017. We have ensured that Bradford's Brexit concerns have been heard through different channels in order to support effective lobbying, including at a City Region level, via the LGA and also through the Key Cities network. Officers across the organisation are continuing to monitor risks and opportunities as things develop and we have a continuing dialogue with external partners to understand wider impacts. A report will be taken to Corporate Overview and Scrutiny at such a time when detail on Bradford impacts and opportunities are more developed, as negotiations progress.

6. 2017/18 Governance Challenges

The risks detailed below will be reviewed through the 2017/18 financial year and progress against them will be reported to the Governance and Audit Committee.

6.1 A number of procurement issues occurred through the year which had to be investigated and the impact of them assessed. In 2017/18 further work will be required to assess levels of compliance across the Council and where necessary to implement improvements.

6.2 Over the past 12 months the Council has found it increasingly difficult to resource and update some of the Council's management systems such as risk, procurement, income and health and safety. This has resulted in information becoming out of date and weakening management controls. It is also the case that other systems may be vulnerable due to capacity pressures. This needs to be reviewed to ensure that the Council's management systems continue to be effective and able to support an organisation as large and as complex as Bradford Council.

6.3 Objections, resistance and disagreement to the implementation of decisions that have already been taken, typically through the budget process, have had to be handled properly. There have been examples of individuals and/or their representatives, and firms or organisations, on occasion acting in concert, raising objections, both informally and formally, to the implementation of decisions, which causes delay and uncertainty.

7. West Yorkshire Pension Fund

The Council is the administering authority for the West Yorkshire Pension Fund (WYPF). The WYPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (Amendment No. 3) Regulations 2007.

The Council has established two bodies to assist and support the Governance & Audit Committee oversee the WYPF:

• the WYPF Investment Advisory Panel and
• the WYPF Joint Advisory Group

The WYPF Investment Advisory Panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity. In this capacity, the Panel is responsible for formulating the broad future policy for investment. A Director of Finance from one of the member Authorities sits on the Panel, this position is currently held by the Director of Resources for Kirklees MDC.

The WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the Group approves the budget estimates for the pensions administration and investment management functions of WYPF, and also receives WYPF's Annual Report and Accounts.

The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- The West Yorkshire Pension Fund has adopted the Council approved approach to risk management
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management
- Risks are monitored and MAPs reassessed regularly
- A risk management report is submitted annually to the WYPF Joint Advisory Group.

There are not expected to be any issues arising from the annual report and review to be submitted to the Joint Advisory Group meeting in July 2017

8. Statement

Over the coming year we propose to take steps to address the challenges identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ………………………………………………………………………………

Councillor Susan Hinchcliffe, Leader of Council

Signed: ………………………………………………………………………………

Kersten England, Chief Executive

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