

Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 20 August 2020 at 10.00 am in Remote Meeting

Members of the Committee – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT AND INDEPENDENT GROUP
Johnson Thornton Watson	Pollard	Stubbs

Alternates:

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT AND INDEPENDENT GROUP
Godwin M Slater Swallow	Ellis	Reid

Notes:

- Please note that, under the current circumstances only Members and Alternates on the Committee will receive paper copies of the agenda, however the agenda and reports can be viewed on the Council's agenda and minutes website five clear working days in advance of the meeting.
- **The meeting will be held remotely, Members and officers in advance of the meeting will be sent via email, instructions and a link on how to join the meeting remotely.**
- A webcast of the meeting will be available to view live on the Council's website at <https://bradford.public-i.tv/core/portal/home> and later as a recording.
- Approximately 30 minutes before the start time of the meeting the Governance Officer will set up the electronic conference arrangements initially in private and bring into the conference facility the Members and officers so that any issues can be raised before the start of the meeting. The officers presenting the reports at the meeting will have been advised by the Governance Officer of their participation and will be brought into the electronic meeting at the appropriate time.
- Members should be on their own when attending remotely and ensure that any confidential papers are not visible via the technology used.
- Any Councillors or members of the public who wish to make a contribution at the meeting are asked to email adrian.tumber@bradford.gov.uk by **10.30 am on Tuesday 18 August 2020** and request to do so. In advance of the meeting those requesting to participate will be advised if their proposed contribution can be facilitated and those participants that can be will be provided with details how to electronically access the meeting. Councillors and members of the public with queries regarding making representations to the meeting please email Adrian Tumber.

From:

Parveen Akhtar
City Solicitor
Agenda Contact: Adrian Tumber
Phone: 07970 412150
E-Mail: adrian.tumber@bradford.gov.uk

To:

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. 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.

(Adrian Tumber – 07970 412150)

B. BUSINESS ITEMS

4. STATEMENT OF ACCOUNTS 2019/20

The Director of Finance will provide a verbal update on the progress towards completing the audit of the Council's Statement of Accounts.

(Chris Chapman – 01274 433656/James Hopwood - 01274 432882)

5. REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA 2000) - LEVEL OF USE (QUARTERLY RECORDS)

1 - 8

The quarterly report of the City Solicitor (**Document "A"**) provides information relating to RIPA 2000 activities including:

- (a) The number of authorised and approved covert surveillance operations undertaken by the Council's criminal investigation teams for the quarters 1st January to 31st March 2020 and 1st April to 30th June 2020.
- (b) The arrangements for the remote inspection by the Information Commissioners Office in August 2020.
- (c) The Council's use of covert surveillance techniques in order to prevent or detect serious crime.
- (d) The use of the Council's CCTV equipment by the Police or Department of Work and Pensions (DWP) for covert surveillance.
- (e) Confirmation of the necessity and proportionality of the use of such covert investigative techniques.

Recommended –

- (1) **To note the contents of the report.**
- (2) **To note the Council's continued compliance with RIPA.**
- (3) **To receive a further report relating to the outcome of the IPCO inspection.**

(Richard Winter – 01274 434292)

6. COUNCIL MEETINGS CORONAVIRUS GOVERNANCE REVIEW

9 - 14

The report of the City Solicitor (**Document “B”**) presents an overview of delivering meetings in the democratic decision making structure since the beginning of the Coronavirus period when Government regulations and guidance meant that meetings could not be held physically in a meeting room and the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 permitted meetings to take place remotely.

Recommended -

- (1) That the report be noted; and**
- (2) That a further report be presented to this Committee following the Extraordinary meeting of Council on 8 September 2020.**

(Adrian Tumber – 07970 412150)

7. AMENDMENTS TO THE CONSTITUTION - CONTRACT STANDING ORDERS AND FINANCIAL REGULATIONS

15 - 64

The report of the Strategic Director Corporate Resources (**Document “C”**) provides details of the annual review of the Financial Regulations and Contract Standing Orders sections of the Council’s Constitution and makes recommendations for their amendment.

Recommended –

That option 1 be accepted and the proposed changes to Contract Standing Orders and Financial Regulations be accepted and recommended to Council to support improvements in the organisation’s financial and procurement processes and procedures.

(Ian Westlake/Helen Keith – 07971 540171/01274 432730)

8. ANNUAL GOVERNANCE STATEMENT 2019/20

65 - 78

The report of the Director of Finance (**Document “D”**) sets out the requirement to conduct the annual review of the effectiveness of the Council’s governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2019-20 to accompany the Council’s Statement of Accounts.

Recommended –

That the Governance and Audit Committee authorise the Leader of the Council and the Chief Executive to sign the document, on behalf of the Council, to accompany the Statement of Accounts 2019-2020.

(Mark St Romaine - 01274 432888)

9. **AMENDMENTS TO WEST YORKSHIRE PENSION FUND FUNDING STRATEGY STATEMENT** 79 - 130

West Yorkshire Pension Fund must maintain a Funding Strategy Statement (FSS) in accordance with the LGPS Regulations 2013. The report of the Director of the West Yorkshire Pension Fund (**Document "E"**) explains that the statement must be kept under review and, after consultation with such persons as are considered appropriate, make such revisions as are appropriate following a material change in its policy. A consultation on the proposed amendments to the FSS ran for 4 weeks up until 31 May 2020. Consultation was also undertaken with the Joint Advisory Group (JAG) at its meeting on 30 July 2020. The proposed amendments are required to keep the FSS in line with the regulations.

Recommended -

That the revised Funding Strategy Statement be approved.

(Rodney Barton - 01274 432317)

10. **MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) HELD ON 30 JANUARY 2020** 131 - 144

The Council's Financial Regulation require the minutes of meetings of the WYPF Joint Advisory Group to be submitted to this Committee.

In accordance with this requirement, the Director of West Yorkshire Pension Fund submits **Document "F"** which reports on the minutes of the meeting of the WYPF Local Pension Board held on 30 January 2020.

Recommended-

That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 30 January 2020 be considered.

(Rodney Barton – 01274 432317)

11. **EXCLUSION OF THE PUBLIC**

Recommended –

That the public be excluded from the meeting during the consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 30 April 2020 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.

12. **MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 30 APRIL 2020** 145 - 148

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 “G”** which reports on the minutes of the meeting of the WYPF Investment Advisory Panel held on 30 April 2020.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 30 April 2020 be considered.

(Rodney Barton – 01274 432317)

THIS AGENDA AND ACCOMPANYING DOCUMENTS HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER



Report of the City Solicitor to the meeting of Governance and Audit Committee to be held on 20th August 2020

A

Subject:

Regulation of Investigatory Powers Act 2000 (RIPA 2000) – Level of use (quarterly records)

Summary statement:

Decision of the Governance and Audit Committee held on 23rd January 2020:

**REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) –
POLICY, USE AND ENFORCEMENT ACTIVITY – QUARTERLY REVIEWS**

Resolved-

- (1) That the contents of the report be noted.**
- (2) That the Council's continued compliance with RIPA be noted.**

Action: City Solicitor

City Solicitor
Parveen Akhtar
Report Contact: R J Winter – Solicitor
Deputy Team Leader Property
Commercial and Development
RIPA Coordinator and Monitoring Officer
RICMO)
Phone: 01274 434292 mobile 07582
103592
Email: richard.winter@bradford.gov.uk

1. SUMMARY

1.1 This report is to provide information relating to the above resolutions and in particular:-

- (a)** The number of authorised and approved covert surveillance operations undertaken by the Councils criminal investigation teams for the quarters 1st January to 31st March 2020 and 1st April to 30th June 2020.
- (b)** The arrangements for the remote inspection by the Information Commissioners Office in August 2020.
- (c)** The Councils use of covert surveillance techniques in order to prevent or detect serious crime.
- (d)** The use of the Councils CCTV equipment by the Police or Department of Work and Pensions (DWP) for covert surveillance.
- (e)** Confirmation of the necessity and proportionality of the use of such covert investigative techniques.

NB See Glossary of terms at the APPENDIX below.

2. BACKGROUND

2.1 The Council's use of authorised and approved covert surveillance operations and obtaining of data communication information for the periods mentioned above.

2.2 The Councils Departments which have specific statutory powers to investigate criminal offences are as follows:-

- (a)** Neighbourhood and Customer Services (NH&CS).
- (b)** Environmental Health Service (EHS)
- (c)** West Yorkshire Trading Standards Service (WYTSS).
- (d)** Corporate Resources - Counter Fraud Team (CFT).
- (e)** Planning Service and Building Control (PS&BC).
- (f)** Housing Standards Service (HSS)
- (g)** Antisocial Behaviour Team and Youth Offending Team (ASBT & YOT).
- (h)** Licensing Services (Liquor and taxi etc.) (LS)

2.3 The Councils Departments which investigate breaches of employee discipline which may result in the detection of serious criminal offences are as follows:-

- (a)** Adult Social Care. (ASC)
- (b)** Children's Social Care (CSC)
- (c)** Corporate Resources (CR).
- (d)** Department of Place(DP)
- (e)** Office of the Chief Executive. (CX)

2.4 The returns for Quarter 1 (1st January to 31st March 2020) and Quarter 2 (1st April to 30th June 2020) are set out in the table below. In February 2020 an application from the Councils Corporate Fraud Team was received by the Council RIPA coordinator and monitoring officer (RICMO) and was in the process of been considered by the City Solicitor. It was in the event put on hold due to the COVID 19 lockdown in March. A NIL RETURN is shown for all other relevant departments which indicate that the enforcement team’s criminal investigators are able to obtain evidence without the need for covert surveillance. Where not applicable appears (N/A) the criminal offences investigated by the service do not fall within the definition of serious criminal offence under RIPA 2000 namely carrying a penalty of more than six months imprisonment and thus covert surveillance of such none serious crimes cannot be authorised under RIPA.

Department/ Quarterly period (QTR)	EHS	WYTSS	CFT	PS& BC	HSS	ASBT & YOT& NH&C S	LS	Refusals	Authorisations /Approvals
QTR 1	0	0	1	n/a	n/a	n/a	n/a	0	0
QTR 2	0	0	0	n/a	n/a	n/a	n/a	0	0

2.5 The Council’s CCTV system and use of it for covert surveillance by the Police and DWP.

a) The Council owns a substantial CCTV system which assists in the prevention and detection of crime within the Centres of Bradford, Bingley, Shipley, Keighley, Silsden, Ilkley, Baildon, Wrose, Oakworth, Wibsey and Idle. The CCTV equipment is occasionally used by the Police or DWP when they provide evidence to the Councils CCTV manager (Phil Holmes) the use is necessary and proportionate to detect or prevent crime.

b) The table below shows comparative figures for QTR 1 and QTR 2.

Quarterly Period (QTR)	Police	DWP	Refusals	Accepted	Total Operations
QTR 1	4	0	0	4	29
QTR 2	4	0	0	4	4

3. OTHER CONSIDERATIONS

3.1 THE INVESTIGATORY POWERS COMMISSIONERS OFFICE (IPCO)

(a) IPCO was established under the Investigatory Powers Act 2016 which came into force in September 2017. IPCO replaces the Office of the Surveillance Commissioner whose inspector undertook the Councils last inspection in October 2016.

(b) The Commissioner of IPCO makes arrangement for all police and local authorities

to be inspected periodically. A first inspection by an IPCO inspector of the Council under the new statutory framework and it will take place remotely due to COVID 19 in August.

(c) The IPCO Inspector reviews the following matters;-

- implementation of the recommendations of the 2016 inspection;
- all applications for the use of covert surveillance and whether they have been granted or refused;
- the central record and Register of authorisations held by RICMO;
- the reporting to this committee of use by officers of covert surveillance techniques and their general compliance with RIPA and the associated regulations and codes of practice;
- the arrangements for briefings to the Councils senior officers to raise awareness for the need to comply with RIPA and the training of Enforcement officers across the Council in RIPA 2000 compliance;

(d) In addition the Commissioner of IPCO takes steps to over time provide advice and guidance to the police and local authorities to support their continued compliance with RIPA 2000 and IPA 2016 which create a highly complex and regulated area of law governing the various covert investigative techniques.

3.2 ANNUAL TRAINING, RIPA BRIEFINGS AND THE INTERNAL AUDIT

(a) Following the completion of an internal audit on 22nd July 2020 the Councils RICMO (Richard Winter) (in consultation with) the Councils Senior Responsible officer (SRO) (Joanne Hyde) briefed all Strategic Directors and Assistant Directors in order to continue to raise awareness of the need to be vigilant within their services in respect of the unauthorised use of covert surveillance.

(b) All officers were reminded that any covert surveillance which was planned to be carried out it must be authorised and approved by the City Solicitor and the Magistrates court respectively and advice should be obtained from the Councils RICMO when any such action was contemplated.

(c) Arrangements were made by the Councils RICMO for 2019/20 annual training update to be presented to Council enforcement officers and managers (and officers employed by the Councils of Calderdale, Kirklees Leeds and Wakefield). This training event took place on Thursday 20th February 2020 in the City Hall and lasted 3 hours and was very well received by the delegates.

4. FINANCIAL & RESOURCE APPRAISAL

4.1 There are no financial implications arising from a resolution adopting the recommendations of this report.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1** The report is intended to audit potential risks of unauthorised covert surveillance by officers of the Council without authorisation and approval.

6. LEGAL APPRAISAL

- 6.1** The undertaking of Covert Surveillance or obtaining of data communication information is regulated by the Regulation of Investigatory Powers Act 2000, Investigatory Powers Act 2016 and associated guidance and Codes of Practice (see body of the Report).

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

- 7.1.1** There are no equality impact or diversity implications as a result of a resolution adopting the recommendations of this report.

7.2 SUSTAINABILITY IMPLICATIONS

- 7.2.1** There are no sustainability implications as a result of a resolution adopting the recommendations of this report.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

- 7.3.1** There are no greenhouse gas emission impacts as a result of a resolution adopting the recommendations of this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

- 7.4.1** There is no community safety implications as a result of a resolution adopting the recommendations of this report as investigation into crime in the Councils district will continue by the police. The Councils Enforcement teams will continue where possible to undertake investigations of criminal offences overtly.

7.5 HUMAN RIGHTS ACT

- 7.5.1** There are no Human Rights issue as a result of a resolution adopting the recommendations of this report.

- 7.5.2** However, if covert surveillance was undertaken without authorisation and approval under RIPA, then it would violate Articles 6 and 8 (Right to a fair trial and right to Respect of Private and Family Life)

7.6 TRADE UNION

7.6.1 There are no trade union implications as a result of a resolution adopting the recommendations of this report.

7.7 WARD IMPLICATIONS

7.7.1 There are no ward implications as a result of a resolution adopting the recommendations of this report.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

7.8.1 No Privacy Impact Assessment is required.

8. NOT FOR PUBLICATION DOCUMENTS

8.1 None

9. OPTIONS

9.1 See recommendation below.

10. RECOMMENDATIONS

10.1 To note the contents of the report.

10.2 To note the Councils continued compliance with RIPA.

10.3 To received a further report relating to the outcome of the IPCO inspection.

11. APPENDICES

APPENDIX Glossary of terms and abbreviations

Abbreviation	Title/Term	Background/Definition
RIPA 2000	Regulation of Investigatory Powers Act	Regulates the use of covert surveillance and data communication in respect of private persons.
IPA 2016	Investigatory Powers Act 2016	Creates the Investigatory Powers Commissioners office (IPCO)
IPCO	Investigatory Powers Commissioners office	Created by the government to oversee the police and other public bodies' use of covert surveillance techniques.
SRO	Senior Responsible officer	Required to take an overview of the Councils

		use of covert surveillance and compliance with RIPA and the Councils RICMO
RICMO	RIPA Coordinator and Monitoring Officer	Coordinates and monitors the use of covert surveillance techniques on the Councils behalf.
SPOC	Single Point of contact for obtaining data communications information	Monitors the lawful obtaining of data communications information.
CCTV	Close circuit television	Used for safety and security purposes within Council buildings and the Bradford city centre and other town centres across the district.
CS	Covert surveillance	Surveillance which is carried out in a manner calculated to ensure that the persons subject to the surveillance are unaware that it is or may be taking place.
DS	Directed surveillance	Surveillance which is covert, but not intrusive, and undertaken: <ul style="list-style-type: none"> a) for the purpose of a specific investigation or operation; b) in such a manner as is likely to result in the obtaining of private information about a person (whether or not that person is the target of the investigation or operation); and c) In a planned manner and not by way of an immediate response whereby it would not be reasonably practicable to obtain an authorisation prior to the surveillance being carried out.
CHIS	Covert human intelligence source	A person is a CHIS if: <ul style="list-style-type: none"> (a) s/he establishes or maintains a personal or other relationship with a person for the covert purpose of facilitating the doing of anything falling within paragraph (b) or (c); (b) s/he covertly uses such a relationship to obtain information or to provide access to any information to another person; or (c) S/he covertly discloses information obtained by the use of such a relationship, or as a consequence of the existence of such a relationship.
IS	Intrusive surveillance	Intrusive surveillance is defined as covert surveillance that: <ul style="list-style-type: none"> a) is carried out in relation to anything taking

		<p>place on any residential premises or in any private vehicle; and</p> <p>b) Involves the presence of any individual on the premises or in the vehicle or is carried out by means of a surveillance device.</p> <p>If the device is not located on the premises or in the vehicle, it is not intrusive surveillance unless the device consistently provides information of the same quality and detail as could be expected to be obtained from a device actually present on the premises or in the vehicle.</p>
	Private information	<p>Includes any information relating to a person's private or family life. Private life also includes activities of a professional or business nature (<i>Amann v Switzerland</i> (2000) 30 ECHR 843). "Person" also includes any organisation and any association or combination of persons.</p>
	Confidential material	<p><i>Includes:</i></p> <ul style="list-style-type: none"> ▪ matters subject to legal privilege; ▪ confidential personal information; ▪ Confidential journalistic material.
HRA 1998	Human Rights Act	Enacts ECHR into English Law i.e. absolute and conditional human rights
ECHR 1950	European Convention of Human Rights	Sets out absolute and conditional Human Rights across Europe
OSC	Office of the surveillance commissioner	Replaced by IPCO in September 2017
OICC	Office of the Interception of Communications commissioner	Appointed by the government to oversee the police and other public bodies interception of data communications
NAFN	National anti fraud Network	Joint local authority network for dealing with fraud of which the Council is a member
SNS	Social network sites	E.g. Facebook and Twitter



Report of the City Solicitor to the meeting of the Governance and Audit Committee to be held on 20 August 2020

B

Subject:

Council Meetings Coronavirus Governance Review

Summary statement:

This report presents an overview of delivering meetings in the democratic decision making structure since the beginning of the Coronavirus period when Government regulations and guidance meant that meetings could not be held physically in a meeting room and the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 permitted meetings to take place remotely.

Parveen Akhtar
City Solicitor

Portfolio:

Corporate

Report Contact: Adrian Tumber
Phone: 07970 412150
E-mail: adrian.tumber@bradford.gov.uk

Overview & Scrutiny Area:

Corporate

1. SUMMARY

This report presents an overview of delivering meetings in the democratic decision making structure since the beginning of the Coronavirus period when Government regulations and guidance meant that meetings could not be held physically in a meeting room and the introduction of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 permitted meetings to take place remotely.

This report is being considered by the Governance and Audit Committee due to its role in overseeing the governance framework of the Council.

2. BACKGROUND

On 16 March 2020 the Government announced that it was bringing in measures in response to the global COVID-19 pandemic stating that everyone should avoid gatherings. This meant that it was no longer possible to hold the Council's democratic decision making committees/panels physically in meeting rooms. The Government announcement was followed by the publication of the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 enabling meetings to be held remotely. The Council's IT Services worked with Public-i so that a means of delivering meetings remotely was procured and the Council's Legal and Democratic Services drafted protocols ensuring that the remote meetings would be held lawfully.

3. DELIVERY OF MEETINGS HELD REMOTELY

3.1 In the democratic decision making arrangements the following is the position on holding meetings remotely:

Full Council – There is an Extraordinary meeting of Council arranged for the 8 September 2020 to consider the outcome of the consultation on devolution for West Yorkshire. Currently meetings of Council are only being arranged when there is time limited business to consider. However, there are certain functions that only Council can undertake such as setting the budget and approving the policy framework.

Executive – The Executive was the first of the Council's meetings to be delivered remotely and has met monthly since the start of this period.

Overview and Scrutiny Committees – To begin with Overview and Scrutiny was being continued but outside of the formal meeting structure with priority inevitably being given to Health and Social Care Overview and Scrutiny Committee and Children's Services Overview and Scrutiny Committee given the COVID-19 situation. Health and Social Care Overview and Scrutiny Committee was the first to meet remotely but since then all of the Overview and Scrutiny Committees have met remotely. In total there will have been 9 Overview and Scrutiny Committee

meetings by the time this meeting takes place.

Area Committees – Only the Bradford South Area Committee has met in public so far but other Area Committees have participated in remote training and briefing sessions.

Regulatory and Appeals Committee – This Committee has met monthly since May and has undertaken the decision making on behalf of the Area Planning Panels. There will be two meetings of the Committee in August given the volume of planning applications to be considered and the experience of having met for a full day during hot weather which proved to be an arduous experience for Members of the Committee, the public participants and officers presenting the planning applications and servicing the meeting.

Licensing Panel – So far 5 meetings of the Panel have been arranged. This is probably the most complex meeting to deliver given the statutory arrangements in place and the need for applicants and interested parties to be able to contribute to the proceedings.

Corporate Parenting Panel – Has met twice so far and for its next meeting consideration is being given as to how Looked After Children can be enabled to participate.

Governance and Audit Committee is continuing to meet in accordance with its schedule and this is the second meeting to take place remotely.

Health and Wellbeing Board – the last meeting had to be postponed but has been re-scheduled for 25 August.

Schools Forum – The Forum has met and again this is a complex meeting to deliver remotely given the number of participants.

West Yorkshire Pension Fund – Meetings of both the Pension Board and the Joint Advisory Group have been undertaken remotely in the public domain.

Employee Appeals Panel/Education Appeals Panel – These meetings don't take place in the public domain due to the confidential information considered so are held remotely in private. The issue here has been to ensure that appellants are facilitated to participate even though they may not have the IT provision to participate remotely to ensure that all appellants are treated equitably.

- 3.2 Other local authorities in West Yorkshire are also delivering meetings remotely. The number of meetings being delivered remotely by each Council varies considerably and depends upon priorities in the democratic arrangements delivered by each Council. Only Kirklees and Leeds Councils in West Yorkshire have held Full Council meetings since the start of this period.
- 3.3 There have been connectivity issues in delivering meetings remotely. In a couple of instances this was due to the remote platform not being available which has led to a delayed start to meetings but other connection issues have been due to participants own IT provision. The Council's IT Service and Public-i have both been very

supportive in diagnosing and resolving the issues. All councillors have undertaken training to enable them to participate in meetings held remotely.

- 3.4 Although the Regulations are time limited and cease to apply to meetings held after 7 May 2021 the Local Government Association supports the extension of the Regulations and it may be that remote meetings become a continuing feature of local authority democratic decision making.
- 3.5 During the current pandemic the Regulations enable the Council to ensure that the health and safety of councillors, officers, and members of the public is protected by not holding meetings physically and holding meetings remotely instead. Government guidance is that meetings should be conducted remotely.
- 3.6 With the introduction of additional restrictions in the Bradford district area on 31 July 2020, the Council has been urging people to follow government guidance and work together to beat the virus and prevent even further restrictions being imposed.

4. FINANCIAL & RESOURCE APPRAISAL

There are no financial issues arising from this report.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

The risk of physically holding meetings in a meeting room is being continuously assessed during this period in accordance with Government regulations and guidance. Government guidance is in place for the safe use of Council buildings. When meetings are delivered remotely the governance is undertaken in accordance with the statutory arrangements in place. Governance, for example, must ensure that the meeting is quorate, and that there is decision making clarity with councillors having heard the full debate on a matter before voting, so that all councillors have made their decision on the basis of the same facts and representations.

6. LEGAL APPRAISAL

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 permits the Council to hold meetings remotely so long as Members can be heard, and where practicable seen, by other Members and the public attending the meeting. Government guidance is that meetings should be held remotely at the present time. Any move to holding physical meetings would have to be carefully assessed taking into account regulations, guidance, and the public sector equality duty.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

Holding meetings remotely does have the advantage of making the Council's democratic decision making more accessible and transparent for many residents, including those with a disability who would find it challenging attending a meeting in a physical location. There are currently equalities issues in holding meetings physically as Coronavirus is known to disproportionately affect the elderly, some ethnic groups, some disabled groups and men.

7.2 TRADE UNION

None.

7.3 WARD IMPLICATIONS

All Wards.

7.4 IMPLICATIONS FOR CORPORATE PARENTING

Meetings of the Corporate Parenting Panel are being delivered remotely.

7.5 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None.

8. NOT FOR PUBLICATION DOCUMENTS

None.

9. OPTIONS

9.1 The report can be noted,.

10. RECOMMENDATIONS

10.1 That the report be noted; and

10.2 That a further report be presented to this Committee following the Extraordinary meeting of Council on 8 September 2020.

11. APPENDICES

None

12. BACKGROUND DOCUMENTS

The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales)

Regulations 2020.



Report of the Strategic Director Corporate Resources to the meeting of the Governance and Audit Committee to be held on the 20th of August 2020.

C

Subject:

Amendments to the Constitution – Contract Standing Orders and Financial Regulations

Summary statement:

This report provides members of the Council with details of the annual review of the Financial Regulations and Contract Standing Orders sections of the Council's Constitution and makes recommendations for their amendment.

Joanne Hyde
Strategic Director Corporate Resources

Portfolio:

Leader

Report Contact:
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Overview & Scrutiny Area:

Corporate

1. SUMMARY

- 1.1 This report provides members of the Governance and Audit Committee with details of the annual review of the Financial Regulations and Contract Standing Orders sections of the Council's Constitution and makes recommendations for their amendment.

2. BACKGROUND

- 2.1 During the municipal year 2019/20 Officers have undertaken their annual review of Financial Regulations and Contract Standing Orders to ensure they properly reflect appropriate governance procedures for the Council. This report sets out the proposals for amendments to deliver those changes and improvements. The Committee is asked to consider the proposed amendments to the Constitution for recommendation to Council for formal approval.
- 2.2 The City Solicitor will implement any recommendations approved by Council and make consequential amendments to the Constitution.

3. OTHER CONSIDERATIONS

- 3.1 There are a number of proposed changes to Contract Standing Orders, these are summarised with reasons for changes in the following table with a complete copy set out at Appendix 1:

Proposed Changes to Contract Standing Orders	
CSO	Summary of Changes
Def	Defined terms updated including Thresholds Definition included on Concessions and changes to Procurement Legislation.
1	Introduction Introduction included describing the procurement cycle. Reference to Grants being subject to the full CSO's has been removed. Grants are dealt with at CSO 27.
2	Compliance with Contract Standing Orders Inclusion of some Legal Services which have always been exempt from CSOs Non Compliance log and report is referenced
3	Social, Economic, Environment and Ethical Considerations Typographical errors corrected
4	Procurement Plans New CSO (but the principle is taken from previous CSOs) on obtaining procurement plans and the intention of publishing them on the Council website.
5	In House Services and Existing Arrangements New CSO on existing contractual arrangements Reference to payment via PCard has been removed as PCard is a transactional process not an alternate route to market
6	Estimating Contract Values

	New CSO based on aggregating Value
7	Pre-Procurement Requirements Re-structured the clause so it is clearer what is required prior to commencing procurement activity. Note about use of Prior Information Notices (PINs) included. Financial Checks section has been moved to CSO 19
8	Framework Agreements and Dynamic Purchasing Systems (DPS) New CSO on due diligence required when using a framework agreement or DPS and also when establishing the Council's own framework agreement and DPS'.
9	Concession Contracts Reference that advice must be sought when considering these types of contracts.
10	Contracts up to £24,999 Low value CSO to focus on the use of local suppliers under the duty of best value rather than a prescribed procedure. Officers must keep a record of their decision making to meet transparency obligations.
11	Contracts between £25,000 and £189,329 (EU Threshold for Supplies and Services) Removal of the differentiation between above and below £100k (four or six quotes) – the new requirement is 4 local quotes within this threshold. Made a differentiation between restricted and closed procedures at this value level so not to confuse the process with higher value procedures. Section added about relevant and proportionate suitability assessment questions when assessing suppliers experience, capability and capacity at this value threshold.
12	Light Touch Regime Contracts Valued £189,330 to the Light Touch Regime (LTR) Threshold, Concession Contracts Valued £189,330 to the Concession EU Threshold, Works Contracts Valued £181,330 to the Works EU Threshold Acknowledges that there is a 'grey' area between the supplies threshold and works, LTR, concession threshold and describes the procedure required.
13	All Contracts valued above the EU Threshold Updated in line with proposed CSO 12.
14	Procurement Procedures Adds more detail on LTR procurements.
15	Submitting and Opening Tenders and Quotations. No change
16	Evaluation New CSO on Officer requirements when evaluating tenders
17	Errors in Tenders and Quotations No change
18	Post Tender and Quotation Negotiations Clarity provided around not negotiating above the relevant EU threshold after Final Tenders.
19	Approval and Acceptance of Tenders and Quotations New CSO requiring that a tender evaluation report is produced for every procurement above the relevant EU threshold or £2million (whichever is lower) – signed off by the Head of Procurement in order to assess any

	<p>procurement risk prior to notification letters being issued to tenderers. Details also included as to what the content of notification letters should be.</p> <p>Financial checks on suppliers has been included at this CSO</p>
20	<p>Exceptions Exception reasons have been edited.</p> <p>Deleted The Exception for using in-house services as this is a compliant route to market. The requirement for Exceptions below £25k as this is a compliant route to market. The Exception for using a consortium procurement as this is a compliant route to market.</p> <p>Added An exception for unique works of art An exception to extend a contract to allow for a re-procurement An exception to allow for using a supplier that is specifically required by a funder.</p>
21	<p>Contract Extensions, Variations, Novation or Termination Drafting of the language has been clarified. Closer link to Regulation 72 of the Public Contracts Regulations which deals with substantial modifications of contracts.</p>
22	<p>Written Contracts All contracts above £2m are sealed.</p>
23	<p>Professional Services, Consultants and Intermediary Employment No Change</p>
24	<p>Contract Conditions Emphasis placed on consultation before entering in to contract. Framework Agreements and DPS' added to the exclusion list due to new CSO8 about Framework / DPS due diligence.</p>
25	<p>Contract Management No change</p>
26	<p>Lease and Other Credit Arrangements No change</p>
27	<p>Grants Grants are dealt with here – must follow the principles of these CSOs not the entire procedures of CSO</p>
28	<p>Payment Outside of Standard Procure to Pay Procedures Caveat about up front payment where it is industry practice.</p>
29	<p>Claims No Change</p>
30	<p>Contracts Where Members Have an Interest No Change</p>

3.2 There are a few proposed changes to Financial Regulations, set out as 'track changes' in Appendix 2, these are summarised with reasons for changes in the following table:

Proposed Changes to Financial Regulations	
Section	Reason
1.10	Added to ensure clarity for officers that the budget is approved by full council.
2	Heading changed for clarity.
3.2	Amended for clarity.
7.1	Amended to be consistent with 8.2. This role can be carried out by the Strategic Director Corporate Resources and the Chief Financial Officer.
8	Amended heading to clarify that this section relates to Strategic Investments and not treasury management or WYPF investments.
13.1	Amended for clarity.
14.1	Amended for clarity.
15.3	The responsibility for this role lies with the Chief Financial Officer not the Strategic Director Corporate Resources.
16.2 (new)	This regulation has been added to clarify to Officers that irrespective of how a capital investment proposal is funded it must fit the capital programme and maximise grant funding.
16.3 (previously 16.2)	Added to differentiate the process between capital/non capital funded projects and some corrections in terminology.
18.6	Change from "nominate" to "delegate" and extend the range of staff to the Department of Corporate Resources so that it covers staff in Revenues, Benefits and Payroll.
18.7	Change from "nominate" to "delegate".
19.1	Sterling limit reduced to £8,400 due to change in exchange rate (at the time of writing).

4. FINANCIAL & RESOURCE APPRAISAL

4.1 There are no financial issues arising from this report.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

5.1 The proposed recommendations are offered to improve the Council's finance and procurement related processes and provide rules to limit risk to the Council.

6. LEGAL APPRAISAL

6.1 Article 17 of the Constitution requires the Monitoring Officer to take steps to make himself/herself aware of the strengths and weaknesses of the Constitution and make recommendations for improvement.

6.2 The review and development of the Constitution is undertaken in compliance with the provisions of the Local Government Act 2000, regulations and guidance made and issued under the Act.

- 6.3 The review of the Council Standing Orders upholds the obligation placed on the Council by s135 of the Local Government Act 1972.
- 6.4 The Council will ensure that any updates to the Council Contract Standing Orders shall be compliant with all procurement legislation including the Public Contracts Regulations 2015.

7. OTHER IMPLICATIONS

- 7.1 There are no implications in relation to the following:
- Equality and Diversity
 - Sustainability
 - Greenhouse Gas Emissions
 - Community Safety
 - Human Rights Act
 - Trade Unions
 - Ward Implications
 - Area Committee Action Plans
 - Corporate Parenting
 - Privacy Impact Assessments

8. NOT FOR PUBLICATION DOCUMENTS

- 8.1 There are no 'not for publication' documents for this report.

9. OPTIONS

- 9.1 The recommended option is for Members of the Governance and Audit Committee to recommend the proposed changes to Contract Standing Orders and Financial Regulations set out in this report for approval to the Council to support improvements in the organisation's finance and procurement processes and procedures.
- 9.2 Member of the Governance and Audit Committee may wish to accept some of the proposed recommendations and, or make their own recommendations.
- 9.3 The 'do nothing' option is not recommended as the proposed changes have been put forwards to support improvements in the Council's finance and procurement processes and procedures.

10. RECOMMENDATIONS

- 10.1 That option 1 be accepted and the proposed changes to Contract Standing Orders and Financial Regulations be accepted and recommended to Council to support improvements in the organisation's financial and procurement processes and procedures.

11. APPENDICES

Appendix 1: Proposed Contracts Standing Orders 2020/21

Appendix 2: Proposed Financial Regulations with track changes 2020/21

12. BACKGROUND DOCUMENTS

There are no background documents to this report.

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PART 3G Contract Standing Orders 2020/21

Definitions

- 'Appropriate Officer' is the Chief Executive, Strategic Directors, Director, City Solicitor, the Chief Financial Officer (S151 Officer) or any other Officer designated by resolution of the Executive.
- 'Authorised Officer' is any Officer permitted by an Appropriate Officer to authorise orders and Contracts as per clause 2.5.
- 'Best Value for Money' is the optimum combination of whole life costs, quality and benefits, including economic, environmental and social value to meet the customer's requirement.
- 'Bradford District' is the geographical area administered by the Council.
- 'Call Off' is a separate purchase from an existing Framework Agreement that creates a binding Contract.
- 'Concession Contract' means Contracts for pecuniary interest, where the consideration is either; that the Supplier has the right to exploit the works / services that are the subject of the Contract, or where the Supplier has that right together with some payment from the Contracting Authority.
- 'Contract' means a formal agreement between the Council and any Supplier for:
 - the supply of works, goods or services including consultants
 - a call-off from a framework agreement
 - an arrangement where no payment is made but there is financial value to the Supplier e.g. a catering concession

For the purposes of these Contracts Standing Orders this definition does not include employment and property Contracts or grant agreements.

- 'Contracting Authorities' mean the State, regional or local authorities, bodies governed by public law, associations formed by one or several of such authorities or on or several of such bodies governed by public law.
- 'Contracts Finder' is the government portal for information on public sector Contracts
- 'Contract Value' is, for works, goods or services the total monetary value over the full duration, including any extension options (not the annual value). For concession Contracts, or other Contracts with low, or nil cost to the Council the total pecuniary value must be considered.

- 'Contracts and Grants Register' the Council's database of all Contracts, commissioned activity, purchase orders, Framework Agreements, and other legally enforceable agreements with a value of £5,000 and above and grants of any value.
- 'Controlled Entities' a subsidiary company of the Council where the Council exercises control similar to that over its own departments, the subsidiary carries out at least 80% of its activity for the Council and there is no direct participation of private capital.
- 'Corporate Contract' is an agreement procured in consultation with and for the benefit of more than one Council department. More details can be found on Bradnet.
- 'Council' means the City of Bradford Metropolitan District Council.
- 'DPS or Dynamic Purchasing System' is an electronic procurement process for commonly used purchases that are generally available and is open throughout the Contract period to any new supplier that meets the selection criteria.
- 'Electronic Auction' is a procurement process whereby suppliers who have submitted admissible tenders can revise their original prices or values during the period of the auction.
- 'EU Thresholds' the financial threshold at which the Procurement Legislation are applicable.
 - As of 1st January 2020 these are:
 - Works - £4,733,252 and
 - Goods - £189,330.
 - Service - £189,330
 - Social and Other Specific Services (subject to the Light Touch Regime) - £663,540.
 - Concessions - £4,733,252
- 'Exception Log' a record held by the Chief Financial Officer of all Contracts valued at £25,000 and above awarded without competition because the Contract meets one or more of the requirements listed in CSO 20.1.
- 'Framework Agreement' an agreement which sets out the terms and conditions under which the Council can make specific purchases ("Call-Off") from a Supplier(s) to provide services, goods or works at agreed standards and prices. If the Council calls off services, goods or works from the Supplier then a binding Contract is formed.
- 'Grant' for the purposes of these Contracts Standing Orders means a formal agreement giving financial assistance to an individual or organisation to assist in meeting its general purpose or objectives but where the specific supply of goods, works or services is not required in return. There should be award criteria,

performance targets and conditions on how the money is spent and Officers should monitor these in accordance with the terms of the grant agreement.

- 'Light Touch Regime' applies to social and other specific services as listed in Schedule 3 of the Procurement Legislation.
- 'Local Supplier' is any supplier that provides works, goods or services from a location within the Bradford District or where a substantial number of any employees working directly on the Contract are resident in the Bradford District.
- 'Officer' means employee(s) of the Council.
- 'OJEU' is the Official Journal of the European Union which is the publication in which all tenders from the public sector above relevant EU Thresholds must be published.
- 'Procurement Legislation' means the EU Public Contracts Directive (2014), the Public Contracts Regulations 2015 which implement the Directive in UK Law, and any subsequent statutory amendment or re-enactment, or subordinate legislation that may be in place from time to time.
- 'Public Service Mutual' an organisation which has left the Council parent body but continues to deliver public services. Mutuals are organisations in which employee control plays a significant role in their operation.
- 'Quotation' a formal written offer to execute works, or provide services or goods at a stated price
- 'Sheltered Workshop' an organisation that employs a proportion of disadvantaged or disabled workers which allows the supplier to be eligible to bid for certain types of Contracts which can be specifically reserved to organisations meeting the criteria.
- 'SIRO' Senior Information Risk Owner is the person with overall accountability and responsibility for information governance.
- 'Supplier' an individual or organisation that Contracts with the Council to provide works, goods or services.
- 'Tender' a formal written offer to execute works, or provide services or goods at a stated price
- 'TUPE' means the Transfer of Undertakings (Protection of Employment) Regulations 2006.
- 'Whole Life-Cycle Costs' is an estimate of the total costs of works, goods or services over their life. It is a combination of the purchase price, implementation and operating costs, procurement and Contract management costs, disposal costs less any residual value.

- 'YORtender' is the procurement portal used by the Council (www.yortender.co.uk)

1 Introduction

- 1.1 The purpose of Contract Standing Orders is to set clear rules by which the Council spends money on works, goods and services. The rules apply to any Contract entered into by the Council. The procurement process covers the full life cycle of activities starting with the identification of need, through to evaluation, purchasing and contract management. Procurement can range from purchasing day to day commodities to purchasing key strategic items such as large capital assets, or commissioning a service or buying an entire service.
- 1.2 Public procurement must be undertaken in accordance with principles enshrined in Procurement Legislation. The Council must always act to promote competition and to ensure that each procurement is conducted as an open, transparent and fair competition. The Council must avoid practices which may restrict or distort competition.
- 1.3 All values quoted in these Contract Standing Orders are exclusive of recoverable Value Added Tax (VAT).
- 1.4 Any dispute or difference as to the interpretation of these Contract Standing Orders shall be resolved by the City Solicitor.
- 1.5 The Chief Financial Officer shall undertake a formal review of Contract Standing Orders on an annual basis which will be reported to the Governance and Audit Committee.

2 Compliance with Contract Standing Orders

- 2.1 Failure to comply with these Contract Standing Orders can result in disciplinary action against the Officers concerned.
- 2.2 Every Contract made by or on behalf of the Council for works, goods and services and all Council employees engaged to act in any capacity to manage or supervise a Contract must comply with;-
 - Procurement Legislation
 - All relevant statutory provisions including the Public Contracts Regulations 2015, competition law and public services acts (e.g. Social Value, Care Act 2014)
 - The Council's Constitution including these Contract Standing Orders, the Council's Financial Regulations and the Council's Procurement Policies
 - The Council's strategic objectives and policies
- 2.3 All Council Officers and organisations engaged on the Council's behalf shall ensure that all procurement activity is undertaken with regard to high standards of probity and in a manner which avoids any conflicts of interest. The Council's Employee Code of Conduct must be followed at all times.

- 2.4 In applying these Contract Standing Orders, all Officers shall have regard to the duty of Best Value For Money under the Local Government Act 1999.
- 2.5 An Appropriate Officer may permit, with limitations, other Officers to authorise orders and Contracts in their own names on behalf of the Council. Any orders or Contracts made shall remain the responsibility of an Appropriate Officer. Appropriate Officers must maintain an up to date record of Authorised Officers and submit a copy of the list to the Chief Financial Officer on an annual basis at the commencement of the financial year.
- 2.6 The Chief Financial Officer may delegate some, or part of their responsibilities set out in these Contract Standing Orders to Officers in their service area. A written record of this delegation should be kept for transparency and audit purposes.
- 2.7 All orders for works, goods or services must be placed using the Council's approved systems in advance of the invoice being received and coded to the appropriate account codes.
- 2.8 Miscellaneous payments must only be used where the payment is not as a result of a purchase (for example a refund or grant payment). Miscellaneous payments must not be used to:
- Pay suppliers for works, goods or services (including fees in relation to consultancy work and training), or
 - To reimburse employee expense claims or petty cash purchases
- 2.9 Non-compliance with Council's procedures and processes for the use of its requisition, ordering and payment systems may result in the Chief Financial Officer removing Officer access.
- 2.10 These Contract Standing Orders must be used, other than in exceptional circumstances which must be authorised by either:
- 2.10.1 The Executive; or
- 2.10.2 The Chief Financial Officer and the City Solicitor.
- after considering a report by an Appropriate Officer. The Appropriate Officer must retain written reasons of the decision.
- 2.11 Authorisation under Standing Order 2.10.2 will be reported to Governance and Audit Committee on a quarterly basis.
- 2.12 All Appropriate Officers are responsible for ensuring compliance by their staff and shall report all breaches to the Chief Financial Officer. All instances of non-compliance will be recorded by Procurement Services and be reported to Strategic Directors on a quarterly basis.
- 2.13 These Contract Standing Orders **do not** apply in relation to the procurement of legal services in respect of a specific matter for the purposes of

- Arbitration conciliation;
- Judicial proceedings before the courts;

However, no such legal services shall be procured without the approval of the City Solicitor.

3 Social, Economic, Environmental and Ethical Considerations

- 3.1 In formulating proposals for a Contract, the Authorised Officer must consider the Public Services (Social Value) Act and follow requirements set out in the Council's Social Value and Inclusive Growth Policy.
- 3.2 Where appropriate and always subject to Procurement Legislation, the Authorised Officer should ensure that all requests for Tenders or Quotes are framed in such a way as to encourage Local Suppliers, small and medium sized companies (SME's) and third sector organisations such as social enterprises to bid. This may include dividing the Contract into lots.

4 Procurement Plans

- 4.1 After Council has agreed the Council's budget and before commencement of the financial year the Authorised Officer must prepare and maintain an annual procurement plan for all procurements of works, goods or services to be undertaken in the forthcoming financial year.
- 4.2 Procurement plans must be sent to the Chief Financial Officer in order that they can publish a Council wide procurement plan on the Council's website prior to the start of the financial year.

5 In-House Services and Existing Arrangements

- 5.1 In all instances the procurement of works, goods or services should be done through existing approved arrangements where they exist. These include:

5.1.1 In-house provision

5.1.1.1.

Where the Council has an in-house provision and the estimated Contract Value is less than the relevant EU Threshold external suppliers can only be used when the Appropriate Officer providing such in-house provision confirms that they are unable to meet the requirements on that occasion due to insufficient resources, skills or capacity

5.1.1.2

If the estimated Contract Value is more than the relevant EU Threshold the Appropriate Officer providing such in-house service may also be required to clearly demonstrate that they provide Best Value for Money.

5.1.2 Corporate Contracts, Framework Agreements or DPS awarded by the Council

5.1.2.1

The use of Council Corporate Contracts / Framework Agreements /DPS awarded by the Council shall be mandatory for all works, goods and services that have been included in the scope of those arrangements.

- 5.2 Information relating to the above arrangements will be published regularly on Bradnet.
- 5.3 Where an existing arrangement or in-house service exists and the Officer is seeking to procure outside of these arrangements, the Authorised Officer is required to maintain a documented audit trail to demonstrate the correct approval has been obtained to procure outside of these arrangements.
- 5.4 Other arrangements should be considered and used where it can be evidenced that they provide Best Value for Money:
- Contracts, Framework Agreements or DPS established by central purchasing bodies (Crown Commercial Services, YPO etc.) or other public bodies
 - Collaborative or shared service arrangements with another public body
 - Alternative delivery vehicles such as Controlled Entities or Public Service Mutuals
 - Sheltered Workshops

6 Estimating Contract Values

- 6.1 The method for determining the estimated total value of a Contract / income Contract, should be based on the total amount (net of VAT) which the Council expects to pay and / or any other forms of remuneration the Council, Contractor (or a third party) will receive by operation of the Contract over the term of the Contract. Such calculation must include, where relevant any maintenance and on-going support costs. (Example calculation: Estimated Contract Value = (Annual Cost + other forms of remuneration) x Contract Length)).
- 6.2 In determining the value of a Contract, the Council must also include the potential value of any options to extend that may be built into the Contract and take into consideration the value of all lots where the Contract is going to be broken into lots.
- 6.3 When determining the value of a Framework Agreement the anticipated value of all spend through that Framework Agreement including the spend of any other Contracting Authorities who are able to access the Framework Agreement must be taken into consideration.
- 6.4 Officers must ensure that estimated values are **not** disaggregated in an attempt to avoid the applicability of these Contract Standing Orders. Requirements must be calculated based on all Council spend (i.e. the corporate requirement rather than an individual service areas need)

- 6.5 Where a proposed procurement includes two or more types of provision (i.e works, goods or services) the procedure followed shall be based on the provision that characterises the main subject of the Contract in question.

7 Pre-Procurement Requirements

- 7.1 All procurement processes and documentation will be proportionate to the total value of the Contract and the nature of the works, goods or services.
- 7.2 Before commencing procurement activity for Contracts valued at £25,000 and above the Authorised Officer must undertake the following:

7.2.1 Report to Overview and Scrutiny Committee Contracts valued £2m and above

For Contracts with a total estimated value of £2m and above report details to the relevant Overview and Scrutiny Committee using the standard Committee report template. Reports are to be taken at an early stage once Officers have a draft procurement strategy and specification to allow members to consider matters. For clarity, details of call-off Contracts from a Framework Agreement or DPS do not need to be separately reported providing the original Framework Agreement or DPS has been reported except where the relevant Overview and Scrutiny Committee request a separate report.

7.2.2 Market Engagement

Carry out, where appropriate, pre-procurement engagement with the market (including talking to suppliers, clients and other stakeholders) to understand the availability, strengths and weaknesses of markets and to develop the specification and the Best Value for Money procurement and contractual approach. Pre-engagement with the market must be done in such a way that ensures the subsequent procurement process remains open, fair and transparent with no Supplier gaining an unfair advantage which would distort competition.

7.2.2.1 Advice must be sought from Procurement Services where it is proposed to use a Prior Information Notice (P.I.N.)

7.2.3 Route to Market

Consider the most appropriate route to market including whether a Framework Agreement, DPS or Electronic Auction is appropriate and would deliver Best Value for Money seeking advice from the Head of Procurement where necessary

7.2.4 Specification Development

Be satisfied that a written and clear specification has been prepared which will form the basis of the Contract.

7.2.5 Risk Assessment

For all Contracts with an estimated Contract Value of more than the EU Threshold for goods and services, or where there is a significant supply

risk (identified using a procurement risk assessment form available on Bradnet) a documented risk log must be maintained by Officers.

7.2.5.1 Any Officer conflict of interests should be dealt with as part of the risk assessment process.

7.2.6 **Equality and Diversity Implications**

Consider at the outset any equality and diversity implications that may require an equality impact assessment to be undertaken

7.2.7 **Service Transfer or Strategic Partnership Development**

Before commencing any process for procuring Contracts which involves a proposed service transfer or the development of a strategic partnership, the Authorised Officer must consult the Chief Financial Officer.

7.2.8 **TUPE implications**

Consider at the outset any TUPE implications and schedule in seeking relevant legal and HR assistance

7.2.9 **Data Protection**

Identify all Contracts involving the processing of personal data, information security or data processing implications that may require additional schedules or terms and conditions considering the General Data Processing Regulation, the Data Protection Act, and the need to notify the SIRO

7.2.10 **Social Value**

Consider at the outset any implications from the Social Value Act in accordance with the Council's Social Value and Inclusive Growth Policy

7.2.11 **Whole Life Costings**

Prepare and document an estimate of the whole life-cycle costs including where appropriate any on-going costs and/or disposal costs and ensure that the cost is within the approved current and future budget provision for both capital and revenue expenditure

7.2.12 **Evaluation Criteria**

Ensure that all evaluation criteria including sub-criteria have been determined in advance, put in order of relative importance or weighting and published in the tender documentation. Selection criteria must be relative and proportionate following statutory guidance issued by the Secretary of State. Details of any financial assessment to be undertaken (CSO 19.8) and the form of contract to be applied (CSO 22) must be included in the tender documentation.

7.2.13 **Electronic Documentation**

Ensure that electronic versions of all the appropriate and approved forms of procurement documentation is available through an internet portal immediately on publication of any advert

- 7.3 Authorised Officers are responsible for arrangements to ensure the proper control and use of Council ordering and contracting procedures, in accordance with guidance issued by the Chief Financial Officer and the City Solicitor.
- 7.4 All procurement activity must be undertaken using the Council's standard template documentation unless prior approval has been obtained from the Head of Procurement.

8 Framework Agreements and Dynamic Purchasing Systems

8.1 Call-Off Arrangements

- 8.1.1 Where a Call-Off is proposed under an existing Framework Agreement or DPS that has been established by a consortium, collaboration, purchasing organisation or other public body, the Council may consider using this Framework Agreement or DPS if;
 - a. The Framework Agreement or DPS has been established by an entity, and via a process, which permits the Council to access those arrangements lawfully;
 - b. It is in the best interest of the Council to access the Framework Agreement or DPS, representing clear Best Value for Money, which must be documented for audit purposes.
- 8.1.2 Before undertaking a Call-Off under any Framework Agreement or DPS, thorough due diligence should be undertaken and advice sought from Procurement Services to confirm it is able to be used and whether it is appropriate to use it.
- 8.1.3 Call-Offs must be awarded based on the criteria identified in the Framework Agreement or DPS.
- 8.1.4 Where a Call-Off is undertaken via a direct award process (which is prescribed in the Framework Agreement), the Contractor must be requested in writing to supply a written submission, that is verified to confirm it can meet the requirements of the Council in accordance with the terms and conditions and pricing established in the Framework Agreement in advance of entering into a Contract unless otherwise prescribed in the Framework direct award call-off procedure.
- 8.1.5. Subject to the due diligence confirming the suitability of the Framework Agreement or DPS, it can be used as a potential route to market without going down one of the procedures outlined at CSO 10 to 13

8.2 Establishing a Framework Agreement / DPS

- 8.2.1 Where the Council is establishing a Framework Agreement or DPS which may be accessed by other Contracting Authorities the estimated Contract Value must take account of all potential work that may be put through the agreement and follow the procedures set out in these Contract Standing Orders.
- 8.2.2 If the Council is establishing a Framework Agreement or DPS in accordance with CSO 8.2.1 reference must be made within the procurement documents explaining that the Framework Agreement or DPS is intended for wider use, and advice should be sought from the City Solicitor's Office to ensure the terms upon which other Contracting Authorities access those arrangements are clear and offer appropriate protection to the Council.
- 8.2.3 In establishing a Framework Agreement, the total duration (including any extensions) cannot exceed four years except in exceptional circumstances relating to the subject matter of the Framework Agreement. Any proposal to establish a Framework Agreement with a duration exceeding four years should be referred to the Head of Procurement for advice.
- 8.2.4 Where, taking in to account the above, the estimated value of the Framework Agreement or DPS is estimated to be above the relevant EU threshold, the Authorised Officer must ensure that the names of the other public bodies are included in the OJEU notice either individually or by identifiable class.
- 8.2.5 In establishing a Framework Agreement or DPS, the Council must ensure that the terms of the Framework Agreement or DPS make the process by which Contracts under the Framework Agreement or DPS are entered into, and the terms under which they will be entered, is explicitly clear.

9 Concession Contracts

- 9.1 If the Authorised Officer is considering entering into an arrangement which could constitute a Concession Contract, early advice must be sought from Procurement Services and the City Solicitor.

10 Contracts valued up to £24,999

- 10.1 These Contract Standing Orders in general do not apply to Contracts with an estimated value of up to £24,999. However, this CSO 10, and the Contract Standing Order with regards to in-house and established Corporate Contracts referred to at CSO 5 **do apply**.
- 10.2 The Authorised Officer must be able to demonstrate Best Value for Money and **must use Local Suppliers** wherever possible. All Quotations must be in writing.
- 10.3 To comply with the Local Government Transparency Requirements, details of all Contracts awarded of £5,000 and above must be recorded on the Council's

procurement portal, YORtender and on the Contracts and Grants Register. Officers shall retain a written record of actions taken and the reasons using the pro-forma template available on Bradnet.

- 10.4 Pro-forma should be completed and details recorded on YORtender and the Contracts and Grants Register prior to a purchase order being created.

11 Contracts between £25,000 and £189, 329 (EU Threshold for Goods and Services)

- 11.1 Contracts that are estimated to be for amounts between £25,000 and £189,329 must be let on a competitive basis on YORtender. The Authorised Officer must determine the most appropriate procedure to undertake.

- 11.2 The Authorised Officer must either:

11.2.1 use a closed procedure inviting a minimum of four suppliers registered on YORtender including inviting Local Suppliers wherever possible, or

11.2.2 use an open procedure advertising the opportunity to the open market using both YORtender and Contracts Finder

- 11.3 When using the closed procedure, if the minimum number of Tenders cannot be obtained owing to insufficient suitable Suppliers prepared to tender, then the Authorised Officer must keep a record of this.

- 11.4 No pre-qualification questionnaire is permitted during the procurement. Suitable assessment questions to assess eligibility are part of the Council's template procurement documents and can be used as part of the overall quality evaluation. Suitability Assessment Questions may only be included within the procurement where they are

- a) Relevant to the subject matter of the procurement; and
- b) Proportionate

- 11.5 Only the winning bidder(s) will be required to submit certificates and documents as evidence of their legal and financial standing and technical or professional ability in addition to specific requirements relating to insurance, health and safety, equality, environmental management etc.

12 Light Touch Regime Contracts Valued £189,330 to the Light Touch Regime EU Threshold, Concession Contracts Valued £189,330 to the Concession EU Threshold, Works Contracts Valued £189,330 to the Works EU Threshold

- 12.1 The procurement of Contracts for the provision of Light Touch Regime Services, Concession Contracts and Contracts for works with a value between £189,330 and the relevant EU threshold may be undertaken in accordance with procurement procedures as outlined in CSO11.

- 12.2 Procurement of any such Contracts must, however, be let on a competitive basis, which is advertised to the open market, through YORtender and on Contracts Finder.
- 12.3 The most common procedures to be used for Contracts within these thresholds are processes broadly equivalent to the Open and Restricted procedures set out in the Procurement Legislation. Where consideration is given to any other procedure then early advice must be sought from the Head of Procurement.

13 All Contracts valued above the EU Threshold

- 13.1 Where the Contract Value is likely to exceed the relevant EU threshold it must be tendered in accordance with the relevant Procurement Legislation, unless it will be procured through an existing Framework Agreement or DPS agreement that has been established via a compliant EU procurement process.
- 13.2 Suppliers must be appointed by one of the procedures under CSO 14.
- 13.3 All Tenders must be advertised on the YORtender system and Contracts Finder. Standard template documentation must be used
- 13.4 All Tenders above the relevant EU Threshold must be advertised in the OJEU.

14 Procurement Procedures

- 14.1 The **open procedure** under which all those interested may respond to the advertisement by submitting a Tender. This is often the most expedient system and enables all of the Suppliers in the market that wish to engage in the process to submit a Tender. There is no pre-qualification or short-listing stage prior to invitation to tender (ITT).
- 14.2 The **restricted procedure** under which a selection process is made of those who respond to the advertisement and only they are invited to submit a Tender. This procedure can only be used for tenders above the EU Threshold for goods and services.
- 14.3 The following procedures apply to more strategic, complex or high value projects and must be done in consultation with the Head of Procurement as there are limited circumstances under which these processes can be used.
- 14.4 The **competitive dialogue procedure** under which a selection is made of those who respond to the advertisement and the Council enters into dialogue with potential bidders to develop one or more suitable solutions on which the chosen bidders submit a Tender. This can be used where the Contract is complex and cannot be purchased “off the shelf”.

- 14.5 The **competitive procedure with negotiation** under which a selection is made of those who respond to the advertisement and only they are invited to submit a Tender. The Council may then open negotiations to seek improved offers.
- 14.6 The **innovation partnership procedure** under which a selection is made of those who respond to the advertisement and the Council uses a negotiated approach to invite suppliers to submit innovative ideas to meet a need where there is no suitable existing “product” on the market. The partnership can be awarded to more than one supplier.
- 14.7 For Contracts for Social and Other Specific Services subject to the Light Touch Regime Authorised Officers have more freedom to design a procurement procedure that is broadly comparable to the procedures described in CSO14. Consideration should be given to the Cabinet Office’s guidance on procurement under the Light Touch Regime. The Head of Procurement must be consulted and the Authorised Officer must ensure that principles of transparency and equal treatment are observed.
- 14.8 The procedure to be undertaken as identified in this CSO 14 must be explained from the outset in the request for Tender and adhered to throughout.

15 Submitting and Opening Tenders and Quotations

- 15.1 Every invitation to tender or request for a quotation must state that a Tender or Quotation will only be considered if it is received by the specified closing date and time via YORtender, or for quotes below £25,000, at the specified date and time.
- 15.2 All Tenders or Quotations for each Contract must be opened by the Officer appointed by the Authorised Officer at a prescribed time.
- 15.3 The Authorised Officer must keep a record of all Tenders and Quotations.
- 15.4 The Authorised Officer shall after consultation with the Head of Procurement disqualify a Tender or Quotation which fails to comply with the requirements of this Contracts Standing Order (15.1) and must inform the bidder or Quotation provider, as soon as possible, stating the reason for the disqualification.

16 Evaluation

- 16.1 An evaluation panel must be convened for all evaluation processes undertaken. Representation on the panel must be from people who have knowledge of the subject area and be proportionate to the size and value of the procurement being undertaken.
- 16.2 For all Contracts, regardless of value, no person with a personal or financial interest in any of the bidders submitting a proposal should be involved in

evaluating Tenders or involved in any way in influencing the decision as to which bidder is to be awarded a Contract. A declaration of interest form must be completed prior to the commencement of the evaluation process and held on file by the Authorised Officer.

- 16.3 The evaluation of tenders **must** be in accordance with the evaluation criteria specified in the original tender documents. Under no circumstance should there be a deviation away from this.
- 16.4 Where a bidder submits a qualified or conditional tender, they must be given the opportunity to withdraw the qualification or condition without amendment to the bid submitted. If a bidder fails to do so their bid must be rejected unless it is dealt with as an alteration to their submission in accordance with CSO 17 below.
- 16.5 Where a Tender received appears to be abnormally low, the Council is under a statutory duty to request that the bidder concerned provides a full and detailed response to explain the price / cost proposed. Identifying and dealing with abnormally low bids shall be the responsibility of the Authorised Officer. The Council may reject an abnormally low bid, where the justification doesn't satisfactorily account for the low level of price. Where consideration is being made to the rejection of a bid on these grounds advice must be sought from the Head of Procurement and City Solicitor.

17 Errors in Tenders and Quotations

- 17.1 Prior to acceptance of any Tender or Quotation received, any arithmetic error or other minor discrepancy made in good faith can be corrected by the Head of Procurement after consultation with the Authorised Officer in one of the following two ways:
 - 17.1.1 The bidder shall be given details of the error(s) found during the examination of the Tender and shall also be given the opportunity of confirming without amendment or withdrawing the Tender; or
 - 17.1.2 Amending the Tender to correct genuine arithmetic error(s) provided that in this case, apart from these genuine arithmetic errors, no other adjustment, revision or qualification is permitted.
- 17.2 A written record must be kept of all such amendments.

18 Post Tender and Quotation Negotiations

- 18.1 In the interests of ensuring an open, fair and transparent process, negotiation following receipt of tenders is only permissible in limited circumstances.
- 18.2 No negotiation is permitted following **receipt of final tenders** where the Tender is above the EU Threshold.

- 18.3 Where the procurement is below the EU Threshold, the Authorised Officer may, after consulting with the Chief Financial Officer, and where it is intended to obtain better value for money, authorise negotiations with one or more bidders or Quotation providers where s/he considers that none of the Tenders or Quotations are acceptable and it is in the Council's interests to do so.
- 18.4 Negotiation on behalf of the Council should be conducted by two or more Authorised Officers and a written record kept of the negotiation.

19 Approval and Acceptance of Tenders and Quotations

- 19.1 For every Contract, Framework Agreement or DPS over the relevant EU Threshold or £2 million and above in value (whichever is lower) a tender evaluation report must be produced which includes details of:
- the winning bid,
 - the suppliers involved,
 - results of any selection process,
 - the value and subject matter of the Contract,
 - justification for using any negotiated type procedure,
 - any decision not to award,
 - reasons for not using electronic communications,
 - any conflict of interest,
 - reasons for rejecting abnormally low bids.
- 19.2 The tender evaluation report must be approved by an Appropriate Officer and the Head of Procurement prior to notification letters referred to at CSO 19.4 being issued.
- 19.3 The Authorised Officer can only accept the most economically advantageous Tender or Quotation and must record the reasons for acceptance.
- 19.4 All suppliers who submit a Tender or Quotation should be notified in writing of their success or failure in a timely manner using the standard documents. All notifications should be signed by the relevant Appropriate Officer.
- 19.5 For procurements concerning Contracts with values above the relevant EU Thresholds it is essential that all unsuccessful letters contain the following;
- The award criteria used;
 - The score the bidder obtained against those award criteria;
 - The score the winning bidder obtained;
 - The name of the winning bidder;
 - The characteristics and relative advantages of the winning tender; and
 - Precise details of the standstill period.
- 19.6 For all tenders covered by the Procurement Legislation, the minimum statutory standstill period is required between notification of the award decision and final Contract award.

- 19.7 Whilst the standstill period referred to above is not a legal requirement for below threshold procurements, above threshold procurements under the light touch regime or Call-Offs under Framework Agreements or DPS, it is normal practice to apply a voluntary standstill period to allow an opportunity for unsuccessful aggrieved bidders to challenge / complain and for the Council to satisfactorily deal with such instances before entering in Contract.
- 19.8 Before entering into any Contract, the Authorised Officer must
- 19.8.1 be sure that they have the necessary authority to enter into the Contract and that these Contract Standing Orders, the Council's Financial Regulations and procurement advice have been complied with, and that the proposed Contract represents Best Value for Money
 - 19.8.2 be satisfied about the technical capability of such proposed Supplier; and
 - 19.8.3 where a significant supply risk has been identified (in accordance with CSO 7.2.5 and for all Contracts of £189,329 pa and above, or £189,329 (if the Contract is for less than 1 year) for works, goods or services consult with the Chief Financial Officer to agree appropriate checks on the financial and resource capacity of the Supplier to perform the Contract and to agree what, if any, security should be provided for performing the Contract. Forms of security include such as: parent company guarantee, Director's guarantee and performance bonds.
- 19.9 All Contracts awarded of £5,000 and above must be recorded on the YORtender system and all Contracts valued at £25,000 and above must also be published on Contracts Finder. All Contracts above the EU Threshold must also be published in OJEU.
- 19.10 For all Contracts and extensions valued at £100,000 and above a briefing note for the Leader of the Council must be produced.

20 Exceptions

- 20.1 Subject to the statutory requirements for procurement processes above EU Thresholds no competitive procurement process is required where one or more of the following exceptions apply:
- 20.1.1 the purchase of proprietary or patented goods or materials or services which, are obtainable only from one supplier, and where no reasonably satisfactory alternative is available;
 - 20.1.2 the execution of works or the supply of goods or services are controlled by a statutory body

- 20.1.3 the execution of works or supply of goods or services are of a specialised nature which, are carried out by only one supplier, and where no reasonably satisfactory alternative is available;
- 20.1.4 the execution of works or supply of goods or services for which it can be demonstrated that no genuine competition can be obtained;
- 20.1.5 the purchase of a named product required to be compatible with an existing installation;
- 20.1.6 special education, health or social care Contracts, if, it is considered in the Council's interests and to meet its obligations under relevant legislation;
- 20.1.7 the execution of works or the supply of goods and services that are required so urgently as not to permit compliance with the requirements of competition.
- 20.1.8 carrying out, with the approval of the Chief Financial Officer, security works where the publication of documents or details in the tendering process could prejudice the security of the works to be done.
- 20.1.9 The procurement is a unique work or art or artistic performance
- 20.1.10 To allow for the continuation of a contractual arrangement with a Supplier beyond the terms of a Contract, in exceptional circumstances and where the duration of the continued Contractual arrangements is determined in accordance with the timescales required to complete a re-procurement or the
- 20.1.11 The selection of a supplier upon the instruction of a third party, providing all the funding is met by a third party.
- 20.2 All exceptions with a total value of £25,000 and above require the support of the Chief Financial Officer, who is ultimately responsible for procurement within the Council, as well as the relevant Appropriate Officer.
- 20.3 An exception request form must be completed for every instance of an exception of £25,000 and above. The Authorised Officer must ensure that the market for a proposed Contract has been investigated, and that the Authorised Officer can demonstrate that departure from these Contract Standing Orders is justifiable and provides overall value for money.
- 20.4 The Authorised Officer must retain written reasons justifying the decision to use CSO 20 and be able to demonstrate that Best Value for Money has been obtained.
- 20.5 Any Contract valued at £25,000 and above awarded using an exception shall be notified to the Chief Financial Officer who will record the Contract in the "Exceptions Log".

21 Contract Extensions, Variations, Novation or Termination

Extensions

- 21.1 The Authorised Officer can extend a Contract subject to the extension being permitted within the scope and terms of the original procurement and Contract and before the expiry date.
- 21.2 An options appraisal must be undertaken to determine if it represents Best Value for Money to extend the Contract and any approval required must be sought in a timely manner.
- 21.3 The Authorised Officer must make every effort to negotiate improved terms, at the point of extending the Contract, with regard to the cost and quality of the goods or services.
- 21.4 No extension shall be made until funding has been secured in accordance with the Council's Financial Regulations or any other similar requirement.

Variations

- 21.5 All Contract variations must be carried out within the scope of the original Contract and must not materially affect or change the Contract.
- 21.6 There are significant limitations upon the Council being able to make such modifications, especially where the Procurement Legislation applies.
- 21.7 When considering a variation or modification of an existing Contract, advice must be sought in advance from the Head of Procurement and the City Solicitor.
- 21.8 Such variations must be approved by:
 - 21.8.1 the Assistant Director of the Service if the value of the variation is less than 25%, or the revised, total Contract Value is less than £100k,
 - 21.8.2 the Strategic Director of the Department if the value of the variation is greater than 25%, or the revised total Contract Value is £100k or above, or
 - 21.8.3 the Chief Financial Officer if the value of the variation is greater than 50% and the total value of the Contract is £100k or above.
- 21.9 Works Contracts variations, subject to CSO 21.6 and 21.7, must be managed in accordance with the relevant works Contract clause(s), and by no later than the next periodic valuation of the works reported in accordance with 21.8.1 to 21.8.3 above

21.10 Following the approval of any variation the relevant notices described at CSO19.9 must be updated and any further notifications required to comply with Procurement Legislation published.

Novations

21.11 In the event that a novation is required because a Supplier ceases to provide the work, goods or services whether as a result of insolvency, company restructuring, company purchase, termination of the Contract or any other reason then the Authorised Officer must consult with the Chief Financial Officer and City Solicitor before novating or assigning the Contract to a new Supplier.

Termination

21.12 Before commencing a process of terminating a Contract with a Supplier for a breach of Contract the Authorised Officer must consult the Chief Financial Officer and City Solicitor.

22 Written Contracts

22.1 The Authorised Officer must ensure every Contract is in writing.

22.2 Every Contract with a Contract Value of £2 million or above must be executed under seal as a Deed with the common seal of the Council by the City Solicitor.

22.3 Every Contract with a Contract Value of less than £2 million should be executed under seal as a Deed with the common seal of the Council by the City Solicitor in the following circumstances:

- the Council wishes to enforce the Contract for more than 6 years after its end (e.g. for land or works); or
- it is required by parties to the Contract; or
- the price paid or received under the Contract is a nominal price and does not reflect the value of the goods/services; or

22.3 Otherwise the following rules for signature apply:

- where the total Contract Value is below £100,000 an Authorised Officer can sign within the limits specified by an Appropriate Officer as per Contract standing order 2.5.
- any Contract with a total value between £100,000 and £2 million must be signed by a Assistant Director or above

22.4 All Contracts with the exception of one-off purchases below £5,000 must be recorded on the Contracts and Grant Register.

23 Professional Services, Consultants and Intermediary Employment

- 23.1 An Authorised Officer may only appoint external consultants providing professional or consulting services if such services are not available within the Council or if Council Officers providing them do not have the resources to meet the needs of the Authorised Officer. Approval of the Consultancy and Contractor Procurement Process must be obtained before seeking quotes or tenders.
- 23.2 Inline with HMRC IR35 and CIS rules the Authorised Officer must consider guidance available on Bradnet and identify the employment status of the Supplier for tax purposes for the Contract entered into, and notify the Chief Financial Officer. Although not a definitive list, Suppliers providing works or services in the following instances must be considered:
- Services delivered personally by the Supplier
 - Consultancy work
 - Self employed contractors or suppliers
 - The engagement of a worker through a limited company or other body
 - The use of a Personal Services Company
 - The engagement of a CIS registered contractor
- 23.3 For Contracts identified as being within the scope of the IR35 payments can only be made in compliance with IR35 legislation.
- 23.4 The Authorised Officer must consult the Chief Financial Officer for all Construction Industry Scheme (CIS) Contractor appointments and payments.

24 Contract Conditions

- 24.1 The Council's standard terms and conditions should be entered for all Contracts. Any exception must be agreed in consultation with the City Solicitor and the Chief Financial Officer **before** entering in to Contract.
- 24.2 The above rule shall not apply to:
- UK government standard documentation or government sponsored schemes such as Academies and amendments may be made for Best Value for Money or project specific reasons.
 - Construction and/or engineering Contracts where bespoke conditions based on accepted industry practice are used e.g. JCT, NEC or ICE
 - Where Framework Agreements / DPS are being used.

25 Contract Management

- 25.1 The Authorised Officer is responsible for contractual spend over the duration of a Contract, and must scrutinise and challenge supplier performance, costs

and progress, and must take appropriate measures and sanctions to improve supplier poor performance.

- 25.2 The Authorised Officer must ensure that Contract specifications contain suitable key performance indicators to incentivise appropriate service delivery and to highlight poor performance.
- 25.3 The Authorised Officer must undertake suitable due diligence checks of a Supplier's technical and organisational measures to fulfil their obligations as Data Processors under the General Data Protection Regulation.

26 Leases and Other Credit Agreements

- 26.1 The Authorised Officer must ensure that prior to entering into any lease or credit arrangement which has a capital cost, the cost must first be approved for inclusion in the Capital Investment Plan in accordance with Financial Regulations relating to capital expenditure.

27 Grants

- 27.1 The Authorised Officer must follow the principles, processes and template documents of these Contract Standing Orders as appropriate for awarding grants prior to entering into any grant arrangements.
- 27.2 Grant funding arrangements should be considered carefully to decide whether they are in fact a procurement for the purposes of these Contracts Standing Orders. A genuine Grant funding arrangement is not a procurement. However, Officers should consider whether the purpose that the grant is being provided for could be achieved through a procurement.
- 27.2 Before awarding any grant with an estimated value of £100,000 and above, the Authorised Officer must consult the Chief Financial Officer.
- 27.3 All grant agreements shall be recorded in the Contracts and Grant Register.

28 Payment Outside of Standard Procure to Pay Procedures

- 28.1 The Chief Financial Officer will make payments on account only on certificates (or other forms approved by the Chief Financial Officer) which have been issued by the Authorised Officer, or the architect/engineer/supervising officer appointed to deal with a particular Contract.
- 28.2 An Authorised Officer may where there has been written agreement with the Chief Financial Officer (setting out the parameters) make purchases and payments via a purchasing card. Purchasing cards must only be used in accordance with the Council's Purchasing Card Compliance Policy, any exception to the Policy must be agreed in advance with the Chief Financial Officer.

- 28.3 The Chief Financial Officer will withdraw the use of purchasing cards should the above not be complied with. Instances of non-compliance can result in disciplinary action in accordance with CSO 2.1.
- 28.4 Payment for goods, works and services are not to be made in advance of delivery other than in a low Contract Value and low risk situation or where it is industry practice to do so that has been agreed in writing with the Appropriate Officer.

29 Claims

- 29.1 The Authorised Officer must inform the City Solicitor of all claims by or against suppliers which are the subject of formal dispute resolution or litigation between the Council and the supplier.

30 Contracts Where Members Have an Interest

- 30.1 Members shall ensure that all procurement activity which is undertaken has regard to high standards of probity and in a manner which avoids any conflict of interest. The Members' Code of Conduct must be followed at all times.

TABLE 1

Value Band	Total Contract Value	Procurement Options	Additional procedures
1	£0 - £24,999	<p>CSO Section 10</p> <ul style="list-style-type: none"> • Must demonstrate value for money • Must use in-house or Corporate Contract • Must use Local Supplier if available • Consider using purchasing card for low value, low risk purchases 	<ul style="list-style-type: none"> • All quotes in writing • Contracts of £5,000 and above must be recorded on YORtender • All Contracts of £5,000 and above to be entered in the Contracts & Grant Register
2	£25,000 – EU Threshold for Goods and Services	<p>CSO Section 11</p> <ul style="list-style-type: none"> • Must use in-house or Corporate Contract • Consider availability of an existing suitable Framework Agreement or DPS • seek minimum of four quotes inviting local suppliers if available or • Open tender process 	<ul style="list-style-type: none"> • Consider all pre-procurement requirements • All quotes in writing • Use YORtender for quotes or formal tender • £100k and above Complete briefing note for Contract award • All Contracts to be entered in the Contract & Grant Register
3	Light Touch Regime Contracts, Concession Contracts and Works Contracts 189,330 to relevant EU Threshold	<p>CSO Section 12</p> <ul style="list-style-type: none"> • Must use in-house or Corporate Contract • Consider availability of an existing suitable Framework Agreement or DPS • Open tender process or process agreed by the Head of Procurement. 	<ul style="list-style-type: none"> • Consider all pre-procurement requirements • Use YORtender for quotes or formal tender • Complete briefing note for Contract award • All Contracts to be entered in the Contracts & Grants Register
4	Above relevant EU Threshold	<p>CSO Section 13</p> <ul style="list-style-type: none"> • Must use in-house or Corporate Contract • Consider availability of an existing suitable Framework Agreement or DPS (call-off) • Formal tender process • Full EU tender process with advert published in OJEU in accordance with EU Thresholds 	<ul style="list-style-type: none"> • All proposed Contracts must be referred to Procurement Services • Consider all pre-procurement requirements • Use YORtender for formal tender • Complete briefing note for Contract award • All Contracts to be entered in the Contract & Grant Register • Report to Overview & Scrutiny for Contracts of £2million and above prior to publishing tender

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PART 3F Financial Regulations

GENERAL

1 Application

- 1.1 These Financial Regulations are made in accordance with the provisions of section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2015 and subsequent amendments to provide for the proper administration of the Council's financial affairs. The Director of Finance (Chief Financial Officer/S151 Officer) has overall responsibility for this administration. More detailed guidance is contained in Financial Advice Notes and other procedures issued by the Chief Financial Officer.
- 1.2 In these Financial Regulations "Appropriate Officer" means the Chief Executive, Strategic Directors, Directors, City Solicitor, the Chief Financial Officer (S151 Officer) or any other officer designated by resolution of the Executive.
- 1.3 In these Financial Regulations "Appropriate Member" for the purposes of paragraph 16.4.2, means the portfolio holder for the service area required to comply with the Financial Regulations and the Ward members where the proposed expenditure has implications for a specific Ward.
- 1.4 These Regulations state the principles of financial control and administration, which must be followed by all officers of the Council. Failure to comply with these Financial Regulations may result in disciplinary action against the officer(s) concerned. Appropriate Officers must certify annually their compliance with internal controls.
- 1.5 In applying these Financial Regulations, all officers shall have regard to the duty of Best Value under the Local Government Act 1999.
- 1.6 Annually, the Chief Financial Officer will review these Financial Regulations and report any proposed alterations to the Governance and Audit Committee for consideration. The report will then be presented to Council for approval as part of the annual review of the Constitution.
- 1.7 The Chief Financial Officer may allow specific exceptions to these Financial Regulations where in their opinion it is in the Council's interest. The Chief Financial Officer must keep a record of these exceptions and report these to the Governance and Audit Committee on an annual basis.
- 1.8 The Chief Financial Officer can alter the financial limits in these regulations because of changes in the value of money. The Chief Financial Officer must report any alterations to the next meeting of the Governance and Audit Committee.
- 1.9 All amounts quoted in these Financial Regulations refer to values excluding Value Added Tax.
- 1.10 In applying these Financial Regulations, all officers shall comply with the Budget* and Policy Framework Procedure Rules set out in Part 3C of the Constitution and

implement the specific further requirements and best practice advice provided by the Chief Financial Officer. *The budget is approved by full Council in February and may be subsequently varied during the year by full Council.

Commented [HK1]: Added by CC for clarity

FINANCIAL CONTROLS AND PROCEDURES

2 Accounting and Financial Systems

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2.1 The Chief Financial Officer is responsible for approving and controlling the Council-wide accounting and financial systems. Appropriate Officers must comply with these accounting and financial systems.

3 Audit Arrangements

3.1 The Chief Financial Officer must monitor, review and report on:

3.1.1 The soundness and adequacy of financial management control systems and how they are implemented.

3.1.2 How far established policies, plans and procedures are complied with and the financial effect.

3.1.3 How far assets, resources and interests are accounted for and safeguarded from losses due to fraudulent offences, waste, extravagance and inefficiency.

3.1.4 The effectiveness of risk management, control and governance processes taking into account public sector internal audit standards and guidance.

3.2 The Chief Financial Officer or their designated officer

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a) can visit all premises to see cash, stores and other property,

b) has right of access to any documents and all other data sources considered necessary and

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c) can ask any officer for any information and explanations considered necessary and may produce a report.

The officer concerned must provide promptly and has no more than two months to respond to the report detailing the intended action to be taken on the report's recommendations. The Appropriate Officers are responsible for appropriate procedures being in place to ensure that the intended action has been implemented. The Chief Financial Officer must take to the Governance and Audit Committee the Annual Internal Audit Plan, the Annual Internal Audit Report and any other report relevant to Internal Audit. The Chief Financial Officer must inform the Governance and Audit Committee every year about any responses to reports, which are still outstanding.

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3.3 If any officer suspects or knows of any losses or irregularities concerning cash, property, stores or other financial matters they must inform the Corporate Fraud Unit at once and discuss action to take. The Chief Financial Officer must report serious losses and irregularities to the Governance and Audit Committee.

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4 Statement of Accounts

4.1 Each year the Chief Financial Officer must produce to the Executive an outturn report for the previous financial year showing income and expenditure on both capital and revenue account compared against estimates.

4.2 Each year the Chief Financial Officer must produce the Council's Statement of Accounts (which shall include the Annual Governance Statement) and submit them to the Governance and Audit Committee.

5 Payments to Staff

5.1 Appropriate Officers are responsible for arrangements for paying employees in accordance with rules issued and systems established by the Chief Financial Officer. Payments to workers must comply with IR35 Regulations.

5.2 The Appropriate Officer is responsible for the accuracy of all information passed to the Strategic Director Corporate Resources that is used for making payments to staff and the Strategic Director Corporate Resources is responsible for the accuracy of payments made in accordance with information received.

5.3 Appropriate Officers or their nominees should maintain an up to date signatory list of all officers approved by them to manually authorise all payroll and related documents.

5.4 Appropriate Officers or their nominees should authorise staff who can have Chief Position status on MSS. Only staff with Chief Position status can authorise electronic payroll and related documents including starters and leavers for their staff.

6 Banking Arrangements

6.1 The Chief Financial Officer controls the Council's bank and giro accounts and is responsible for all procedures.

6.2 All cheques, giros, promissory notes and any other financial instruments and other orders for payment can be signed only by the Chief Financial Officer or other officers authorised by the Chief Financial Officer.

7 Borrowing and Credit Arrangements

7.1 The Strategic Director Corporate Resources and Chief Financial Officer exclusively can negotiate loans to the Council.

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7.2 Appropriate Officers must consult the Chief Financial Officer before entering into any property lease, finance lease or other contract for the use of an asset, which may be deemed a credit arrangement and controlled under Sections 7 and 8 of the Local Government Act 2003.

8 Strategic Investments

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- 8.1 The Investment Advisory Group (IAG) will make investment recommendations to the Strategic Director Corporate Resources and oversee a strategy for generating income from investment in other assets, taking into account sources of funds, objectives/purpose, scope of investment (geography, sector, exclusions), risk appetite, duration, return requirements and the economic and regulatory environment.
- 8.2 The Strategic Director Corporate Resources and Chief Financial Officer exclusively can make investments. They must put them under the name of the Council and/or the appropriate Trust Fund. Investments can include loans made, to for profit and not for profit organisations providing the purpose of the loan is consistent with the Council's priorities and advice relating to State Aid has been obtained.

9 Treasury Management

- 9.1 The Treasury Management function shall be carried out by the Chief Financial Officer in accordance with the Code of Practice on Treasury Management in the Public Service produced by CIPFA and in accordance with the Treasury Management Policy Statement and Treasury Management Practices/Schedules approved by the Governance and Audit Committee.
- 9.2 All Council money (excluding cash controlled by schools under delegated budgets) shall be under the control of the Chief Financial Officer.
- 9.3 All operational decisions on borrowing, investment or financing (except for schools under delegated budgets) shall be made by the Chief Financial Officer or officers nominated under the Scheme of Delegation contained in the Treasury Management Practices/Schedules.
- 9.4 Each year the Chief Financial Officer shall present to Governance and Audit Committee the following reports on Treasury:
- 9.4.1 A Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy
- 9.4.2 An Annual Treasury Management report
- 9.4.3 and a Mid Year Treasury update report.

All above reports subsequently will be presented to full Council.

10 Value Added Tax

- 10.1 Appropriate Officers must fully consider and take into account the VAT implications of all policy decisions.

- 10.2 Where a capital project is proposed which involves expenditure in any of the VAT exempt activity areas Appropriate Officers must:
- 10.2.1 Ensure that the VAT implications are taken into account during the planning stage.
 - 10.2.2 Liaise with the Chief Financial Officer on any capital proposals which may have exempt implications; and
 - 10.2.3 Ensure that any report to members states that the VAT exempt implications have been considered within the financial implications section of the report.
- 10.3 Any proposal to change the method by which a service is provided should be notified to the Chief Financial Officer.
- 11 Partnerships, Joint Ventures and Companies in which the Council is a Guarantor or has a Share Holding Interest
- 11.1 Where it is proposed that the Council be involved in a partnership arrangement or a joint venture or where the Council is to be a guarantor of a company limited by guarantee or a shareholder of a company, the Appropriate Officer shall first consult with the Chief Financial Officer and City Solicitor on the proposals, and shall agree arrangements to provide for the effective monitoring and governance in each case of the arrangement, Joint Venture or company operation.
 - 11.2 All proposals for the transfer of in house services to an external provider must be considered by the Alternative Delivery Model Steering Group, chaired by the Chief Financial Officer, to ensure adequate safeguards are in place.
 - 11.3 This Regulation does not apply to investments under Regulation 8 or pension fund investments under Regulation 33.

PROCUREMENT OF GOODS, WORKS AND SERVICES

- 12 Contract Standing Orders
- 12.1 Any officer of the Council who is either responsible for, or undertakes, procurement of goods, works and services on behalf of the Council, or behalf of any other body for whom the Council acts, must follow the Council's Contract Standing Orders.

EXPENDITURE REQUIREMENTS

- 13 Expenditure Limits

Appendix 2

13.1 Appropriate Officers may spend up to the total budgeted resources for their services in the most efficient and cost effective manner and deploy those resources flexibly in order to meet the Council's strategic objectives and policies for those services and secure value for money as approved in the Council's budget and policy framework, provided that:

Commented [HK9]: Added by CC for clarity

13.1.1 Budget for capital charges and/or statutory charges may not be vired for other purposes.

13.1.2 Portfolio holders are consulted before the Appropriate Officer transfers resources under their delegated control but between Portfolio Holders' remits.

13.1.3 Requests for virement of revenue over £100,000 from the control of one Appropriate Officer to another are to be approved by Council unless agreed by all three leaders of the three largest political groups represented on the Council.

13.2 Where a request for virement of revenue over £100,000 is approved in accordance with Standing Order 13.1.3 above the officer seeking approval will notify all elected members of Council of that approval within 5 working days.

13.3 The Chief Financial Officer will report all approvals given under Standing Order 13.1.3 to the Executive, as part of the Quarterly Financial Report.

13.4 Appropriate Officers are responsible for all expenditure incurred.

13.5 Appropriate Officers may make variations within their total budget but where any such variations will have a financial impact on another Council department they must consult with the department concerned.

13.6 Appropriate Officers shall not incur expenditure beyond the total budgeted provision, nor make commitments or variations in staffing levels, which would lead to increases in expenditure in future years beyond approved limits. Appropriate Officers must inform the Chief Financial Officer immediately if it appears to them that the total expenditure incurred by their services (including expenditure they propose to incur) is likely to exceed the approved budget.

14 Better Use of Budget

14.1 In order for Appropriate Officers to manage their budgets more effectively, they may, with the written approval of the Chief Financial Officer:

Commented [HK10]: Amended by CC

14.1.1 Underspend their allocation and carry the balance forward to the following year, or,

Appendix 2

14.1.2 Overspend their allocation and deduct the amount overspent from the following year's budget, provided that by carrying a balance forward this would not create an overspending in the following year.

14.2 Any action taken under paragraph 14.1.1 or 14.1.2 above must be agreed with the Chief Financial Officer.

15 Procure to Pay and Miscellaneous Payments

15.1 Appropriate Officers, or their nominees, are responsible for authorising purchases or making miscellaneous payments. Officers should ensure that the expenditure is necessary and appropriate and that there is a budget on the correct financial code to cover such expenditure, before giving approval.

15.2 The Miscellaneous Payments process enables payments to be made which are not the result of a purchase, for example a refund, grant payment or third party payment. Miscellaneous Payments must not be used to pay suppliers (for goods, services or works; this includes professional fees/services, particularly to consultants or training providers). It must also not be used to reimburse employee expenses or petty cash purchases.

15.3 The CHAPS, Immediate, Next Day or Future Dated Payments process must not be used to pay suppliers for goods, services or works other than in exceptional circumstances where an invoice is provided and the use of CHAPS is authorised by the Chief Financial Officer.

Commented [HK11]: Correction of role carried out by CFO

15.4 Appropriate Officers should ensure that staff are properly trained to follow the procure to pay process, use an approved feeder system and to use SAP Procure to Pay.

15.5 Appropriate Officers should review and document staff access to the SAP Procure to Pay system and any approved feeder system at least on an annual basis to ensure it is up to date and appropriate.

CAPITAL EXPENDITURE

16 Expenditure Arrangements

16.1 Appropriate Officers shall ensure that the potential effects of capital expenditure on the Council's VAT position are properly considered in accordance with Regulation 10.

16.2 16.2 All capital investment proposals must be supported by a business case. The business case for a proposal, fully funded by a revenue budget or capital grant, must demonstrate that it fits within the overall Capital Programme and maximises grant funding.

Commented [HK12]: This regulation has been added to clarify to Officers that irrespective of how a capital investment proposal is funded it must fit the capital programme

16.3 Capital Investment proposals not fully funded by a revenue budget or capital grant, must be supported by a business case approved by both the Project Appraisal Group and the Portfolio Holder. These proposals must be evaluated in terms of value for money risk, deliverability and fit within the overall Capital Investment Plan. Only proposals with approved business cases can be included in the Capital Investment Plan.

Commented [HK13]: Added to differentiate the process between capital/non capital funded projects.

Commented [HK14]: Correction of wording.

Commented [HK15]: Correction of wording.

16.4 Appropriate Officers shall ensure that every scheme involving capital expenditure is approved for inclusion in the Capital Investment Plan before any commitment is made, and in this respect:

16.4.1 Schemes to be financed from an approved revenue budget or to be fully financed from capital grant may be approved by the Chief Financial Officer, and

16.4.2 All schemes other than those approved by the Chief Financial Officer in accordance with 16.3.1 must be agreed by the Project Appraisal Group before submission to the Executive for approval.

16.5 Appropriate Officers shall ensure that:

16.5.1 The scheme is designed and specified within the approved costs in the Capital Investment Plan (which will be shown at outturn prices) in consultation with the Chief Financial Officer where appropriate.

16.5.2 Appropriate Members are consulted on plans and detailed estimates for schemes over £75,000.

16.5.3 Where appropriate, Government or any other source of external funding approvals has been received.

16.5.4 The tender to be accepted does not exceed the technical officer's estimate of the tender price (as reflected in the Capital Investment Plan) by more than:

16.5.4.1 10% or £100,000, whichever is the lesser, for schemes costing over £75,000.

16.5.4.2 15% or £7,500, whichever is the lesser for schemes costing £75,000 and below.

16.6 Appropriate Officers shall ensure compliance with all current policies on capital expenditure including the requirement to refer schemes (excluding schemes that are entirely funded by external grants) to the Executive immediately prior to entering into any completely new commitments. In addition, Appropriate Officers shall be responsible for keeping both the appropriate Portfolio Holder and the Chief Financial Officer advised of

schemes; and shall ensure that the resultant revenue consequences of a capital scheme can be financed within their approved revenue budget.

17 Monitoring the Capital Investment Plan

- 17.1 Each Appropriate Officer must ensure that annual spending on capital schemes does not exceed the approved cost.
- 17.2 Once a scheme has started, an Appropriate Officer must report to the Executive at the point at which it becomes apparent that the cost of a capital scheme will exceed the approved figure in the Capital Investment Plan by more than the amounts referred to in 16.4.4.1 and 16.4.4.2.
- 17.3 Additional works to an approved scheme beyond the original scheme proposals exceeding the approved figure in the Capital Investment Plan may only be authorised by the Executive.
- 17.4 Where the approved cost of schemes is reliant on funding from specific resources such as supplementary credit approvals and grants, Appropriate Officers must secure the funding before entering into commitments.
- 17.5 Capital expenditure and funding form part of the financial monitoring reports prepared for the Executive, which must include the benefits of investment. Each Appropriate Officer will monitor capital spending and resources and provide information in accordance with the timetable and guidelines issued by the Chief Financial Officer.

INCOME REQUIREMENTS

18 Income Arrangements

- 18.1 When the authority provides goods or discretionary services to bodies or individuals external to the Council, Appropriate Officers must ensure:
- 18.1.1 A sound business case is established
 - 18.1.2 The Council has legal authority to carry out the service
 - 18.1.3 All relevant financial, employment and legal aspects have been properly considered and
 - 18.1.4 The Council is not exposed to unreasonable or disproportionate financial or other risk
- 18.2 Appropriate Officers are responsible for arrangements for the collection, receipt, recording, banking and safe-keeping of all Council income in accordance with rules issued by the Chief Financial Officer.

Appendix 2

- 18.3 Appropriate Officers are responsible for all arrangements for credit facilities and accounting for doubtful debts in accordance with rules issued by the Chief Financial Officer. The Council's Accounts Receivable System must be used for the recording and collection of credit income due and the recovery of all outstanding debt unless other arrangements have been agreed with the Chief Financial Officer. Arrangements whereby customers self-bill should not be entered into unless expressly agreed, in advance, in writing by the Chief Financial Officer.
- 18.4 All contracts where the Council agrees to provide a service for a fee must be in writing and state the services to be provided, the price to be paid, the payment agreement and the time within which the contract is to be performed.
- 18.5 Credit notes must only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt and once it is confirmed that the debt is not payable. Credit notes must be approved by the relevant Appropriate Officer or their nominated Senior Officers before they are raised.
- 18.6 The Chief Financial Officer must approve the writing-off of debts and other losses except where they have specified the level of small value debts below £100 for which Appropriate Officers can give approval. The Chief Financial Officer may also delegate senior officers within Department of Corporate Resources to approve write-offs.
- 18.7 As an Appropriate Officer, the Director – West Yorkshire Pension Fund (WYPF) must approve the writing-off of debts and other losses relating to WYPF debts only. The Director – West Yorkshire Pension Fund (WYPF) may also delegate senior officers within WYPF to approve WYPF debt write-offs in accordance with the WYPF documented procedures.
- 19 Prevention of Money Laundering
- 19.1 In accordance with the Money Laundering Regulations 2007, the Council will not accept cash payments in excess of €10,000. For practical purposes, this limit is set at £8,400 subject to Financial Regulation 1.8.
- 19.2 All officers must adhere to guidance issued by the Chief Financial Officer on compliance with Money Laundering Regulations.
- 20 Review of Fees, Charges and Concessions
- 20.1 The introduction of any fee, charge or concession, or removal of any subsidy must be approved by the Executive unless it is required by legislation or is in accordance with approved policy or strategy.

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Commented [HK17]: Amended by CC & MS

Commented [HK18]: Amended to be consistent with 18.6

Commented [HK19]: Change required due to change in exchange rate.

- 20.2 The Appropriate Officer must review fees charges and concessions annually; including circumstances where there is a legal power to charge but no charge is currently applied.
- 20.3 The annual review must have regard to relevant policies and strategies, cost of service and budget implications and inflation. In particular, where there is a requirement for a service to break even or to generate a surplus, the review must have regard to this requirement.
- 20.4 Appropriate Officers may vary fees charges and concessions in line with inflation forecasts stated by the Chief Financial Officer.
- 20.5 Proposed variations to fees, charges and concessions other than in line with inflation forecasts must be referred to the Executive, except that minor variations may be made by the Appropriate Officer after consultation with the appropriate Executive portfolio holder subject to any budgetary consequences being managed within existing service revenue budgets.
- 21 Grant Applications and Claims
- 21.1 Appropriate Officers are responsible for arrangements for the submission of grant applications to outside agencies, the certification of claims and the proper management of monies received in accordance with the Corporate Standard 3.
- 21.2 The Chief Financial Officer must be informed of all grant applications in excess of £100,000 at the time of application, and the result of all such grant applications as soon as this is known.

MANAGEMENT OF ASSETS

- 22 Asset Register
- 22.1 The Chief Financial Officer will keep the asset register of the Council and will issue procedures for its maintenance and valuation.
- 22.2 Appropriate Officers must ensure that all assets, which are used by or are the responsibility of their services, are recorded in accordance with rules laid down by the Chief Financial Officer. Appropriate Officers must supply such information to the Chief Financial Officer as requested from time to time.
- 23 Keeping Inventories and Stock Control
- 23.1 Appropriate Officers must keep inventories of equipment, plant and machinery in accordance with rules issued by the Chief Financial Officer. Inventories must be regularly reviewed and all items physically checked at least annually.

23.2 Stock held for re-sale must be valued at the lower of cost or net realisable value. Where valuation on this basis would result in a reduction in the overall carrying value of the range of stock held at a particular establishment of more than 10%, the Chief Financial Officer must be consulted as to the appropriateness of the valuation. Any stock losses should be dealt with under Financial Regulation 3.3.

24 Property Marking

24.1 Wherever possible, all portable and/or attractive equipment, plant and machinery that belong to the Council must be visibly and permanently marked to show that it is the property of Bradford Council. In the case of new equipment, the Appropriate Officer must first check to ensure that marking will not invalidate the warranty. Leased items will be marked as such where marking is acceptable to the Lessor.

25 Control of Assets

25.1 Appropriate Officers are responsible for the safekeeping and proper use of all Council assets and other resources under their control.

26 Private Property

26.1 When an Appropriate Officer has to look after private property, they must make a complete inventory of the property under their custody and make arrangement for its safekeeping.

27 Private Funds

27.1 Appropriate Officers must ensure that when an employee because of their job has to look after money that does not belong to the Council they must keep it separate from the Council's money and make arrangements for its recording and safekeeping.

27.2 A private fund can only be set up with the approval of an Appropriate Officer.

27.3 Private funds must be audited every year by two independent individuals or one CCAB qualified accountant. Copies of the audited accounts must be sent to the Appropriate Officer.

27.4 The Chief Financial Officer can see all records and vouchers for private funds. The Chief Financial Officer must be told of any funds, which do not comply with all these requirements.

28 Land and Property

28.1 Appropriate Officers must consult with the Strategic Director Corporate Resources before acquiring land or property by whatever means (including

purchase, sale, lease, tenancy, licence or option). The Strategic Director Corporate Resources shall ensure compliance with all relevant current legislation, policies and protocols.

28.2 Appropriate Officers must consult with the Strategic Director Corporate Resources before disposing of land or property by whatever means. All disposals of Council land or property must be carried out in accordance with the Land and Property Disposal Policy and, if appropriate, the Community Assets Transfer Policy.

28.3 The Strategic Director Corporate Resources shall be consulted on and will approve all asset disposals before contract exchange.

29 Disposal of Other Assets

29.1 When disposing of any other asset, Appropriate Officers must ensure the Council's Financial Advice Note on Disposal of Assets is followed.

INFORMATION MANAGEMENT

30 Computer and Information Management

30.1 Appropriate Officers shall make adequate arrangements for the protection, identification, security, recording and proper use of all:

30.1.1 Computer hardware/software and associated technologies owned by or accessible to the Council.

30.1.2 Council information systems, manual and electronic, including the control of access to premises where information is processed.

30.2 Appropriate Officers shall have regard to the provisions of the British Standard Code of Practice for Information Security Management ISO/IEC 27001 and PCI-DSS or any replacement thereof for the time being in force when considering the protection and security of personal, financial, sensitive and confidential information.

30.3 All officers must comply with the Council's Information Security Policy and guidelines relating to the use of computer hardware, software, related technologies, E-mail and the Internet. All Officers must undertake Information Governance training annually.

INSURANCE ARRANGEMENTS

31 Insurance Cover

31.1 The Chief Financial Officer will arrange all insurance cover and keep a record of details.

- 31.2 Appropriate Officers must immediately tell the Chief Financial Officer about:
- 31.2.1 New risks to be insured.
 - 31.2.2 Alterations to existing insurance cover required.
 - 31.2.3 Insured Assets, which have been disposed of.
- 31.3 Each year Appropriate Officers must check that insurance cover is adequate.
- 32 Insurance Claims
- 32.1 Appropriate Officers must immediately notify the Chief Financial Officer once aware of any loss, liability or damage, which may involve a claim. The Chief Financial Officer will negotiate and/or arrange settlement in accordance with any insurance arrangements made.

WEST YORKSHIRE PENSION FUND

33 Pension Arrangements

- 33.1 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 Chief Financial Officer at Bradford Council, as the Council's Section 151 Officer, has responsibility for signing the Fund's year-end accounts. A copy of WYPF Governance Compliance Statement can be found on WYPF website.

PUBLIC ACCOUNTABILITY REQUIREMENTS

34 Rules for Officers

- 34.1 An officer of the Council must not, in connection with their office of employment, accept any fee or reward whatsoever other than their proper remuneration.
- 34.2 An officer must not receive or give or offer any gift or bribe or personal inducements in connection with the Council's business.
- 34.3 An officer must not use Council property, assets or materials for other than the purposes of the Council. Permission of the Appropriate Officer must be sought for use of Council property, assets and materials for other purposes

and such permission may only be given if it can be shown that such use is in the Council's interests.

- 34.4 An officer must not subordinate their duty to the Council to their private interests or put themselves in a position where their duty and private interests conflict.
- 34.5 If any officer suspects or knows of any financial loss or irregularity, they must inform the Corporate Fraud Unit immediately.
- 34.6 An officer must comply with the Employee Code of Conduct.

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Report of the Director of Finance to the meeting of the Governance and Audit Committee on Thursday 20th August 2020

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Subject: Annual Governance Statement 2019-2020

Summary statement:

This report sets out the requirement to conduct the annual review of the effectiveness of the Council's governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2019-20 to accompany the Council's Statement of Accounts.

Chris Chapman
Director of Finance and IT

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Portfolio:

Corporate

Overview and Scrutiny Area:

Corporate



1.0 Summary

1.1 This report sets out the requirement to conduct the annual review of the effectiveness of the Council's governance framework and system of internal control. It reports the conclusions of that review and produces the Annual Governance Statement for 2019-20 to accompany the Council's Statement of Accounts.

2.0 Background

2.1 In order to meet the statutory requirements set out in the Accounts and Audit Regulations 2015 the Council must prepare an annual governance statement which must be approved either by a committee or by members of the authority meeting as a whole. In Bradford the Annual Governance Statement is approved by the Governance and Audit Committee in accordance with the guidance contained in the CIPFA/Solace framework 'Delivering Good Governance in Local Government'.

2.2 CIPFA/SOLACE issued a revised framework and guidance in April 2016 for the assessment of governance arrangements. The new guidance is applicable to annual governance statements prepared for the financial year 2019/20.

2.3 The Statement must be approved by Members and signed by the Chief Executive and a Leading Member (in CBMDC that has been the Leader).

2.4 The Annual Governance Statement includes an annual review of the Council's internal control environment.

2.5 The Annual Governance Statement is not part of the Statement of Accounts but "accompanies" the Accounts, although in practice Authorities have discretion to publish the documents separately or together.

3.0 The Annual Review

3.1 The Annual Review is undertaken against the principles contained in the CIPFA/Solace framework – Delivering Good Governance in Local Government. The Council is required to consider the effectiveness of its current arrangements and:

- Assess the extent to which it complies with the principles and requirements of good governance
- Identify systems, processes and documentation that provide evidence of compliance
- Identify and ensure individuals and committees hold responsibility for governance arrangements and their continuing application and effectiveness
- Identify issues that have not been addressed adequately and any planned changes required in the future
- Prepare an action plan, identifying any individuals responsible for taking any changes forward

3.2 The Annual Review is undertaken by the Director of Finance as S151 Officer. In conducting the review, reliance is placed upon six main sources of evidence:-

- The Constitution of the Council

-
- The adequacy of management actions in relation to key risks as identified in the corporate risk register
 - Evidence from the regular monitoring and reporting to the Executive and Scrutiny Committees on performance, risk and finance issues
 - Key Control and fraud risk self assessments supporting written confirmation from Strategic Directors that all reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations.
 - The reports of Internal Audit
 - External Audit and other external inspection agencies.

External Audit in particular provides the Council with an independent assessment of the way in which the Council conducts its business, safeguards and properly accounts for public money. It reports regularly to Members of the Governance and Audit Committee.

- 3.3 On the 12th December 2017, the Council agreed a revised Code of Corporate Governance to incorporate new guidance from CIPFA and SOLACE. An exercise took place in 2018 on how the Council complied with its new code and any assurances that can evidence this position. This exercise was updated in April 2019. Due to the Covid Crises it was not possible to update the position in 2020 however a comprehensive review will take place in the 2020-21 financial year that includes an audit of the emergency arrangements that operated in the first quarter. It should be noted that the 2018 and 2019 reviews demonstrated high levels of compliance.

4.0 Conclusion of the Annual Review for 2019-20

- 4.1 The outcome of the review of effectiveness provided the necessary assurance and no significant issues were identified, with the exception of the need to continue to improve Children's Safeguarding services.
- 4.2 The overall governance arrangements are represented by the Constitution of the Council, associated detailed procedures and codes of practice which are reviewed annually by the Governance and Audit Committee.
- 4.3 The overall adequacy and effectiveness of the Council's internal control environment is reviewed on a continual basis by Internal Audit. Monitoring reports throughout the year have examined the controls in operation and whether they are working effectively in any year. A number of operational internal control issues are identified. These are addressed through a series of recommendations agreed by senior management and subsequently implemented.
- 4.4 External Audit undertakes a programme of work during the year covering areas such as value for money and internal control. Details are contained within the Audit Strategy Memorandum, regular progress reports and the publication of the Audit Completion Report. The results of this work have been taken into account when determining the measure of risk to the Council.
- 4.5 Action plans for improvement are devised and implemented in response to External Audit recommendations.

4.6 The Council adopts a process of risk management and departmental and corporate risk registers are maintained.

5. Specific Governance Issues

5.1 The GDPR governance challenge previously recognised by the Council was progressed during 2019/20 so that future monitoring through the AGS is no longer required.

5.2 There are two governance issues concerning the Ofsted review and the integration of health and social care systems which were highlighted in 2019/20 and will continue to be monitored in 2020/21.

5.3 The Council's response to the COVID crises remains core to the Council's approach to governance and will be monitored through the 2020/21 financial year.

6.0 Arrangements with the West Yorkshire Pension Fund

6.1 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
- Risk management is reviewed quarterly
- 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 2020.

7.0 Financial and Resources appraisal

7.1 There are no direct financial implications arising from this report. However, any governance issues arising now or in the future which need further strengthening will require appropriate action to be taken. Officer time will be required to formulate action plans and put into place the appropriate corrective arrangements to strengthen the governance framework.

8.0 Risk Management and Governance Issues

8.1 Risk management issues are referred to in the report and annual governance statement where appropriate.

9.0 Legal Appraisal

9.1 With effect from 2007/08 the CIPFA/Solace framework 'Delivering Good Governance in Local Government', revised in 2016, defines proper practices for the production of a

governance statement that meets the requirements of the Accounts and Audit Regulations 2015. The annual governance statement presented in Appendix 1 follows the revised framework and guidance. The Annual Governance Statement also identifies the emergency arrangements that were established in March 2020 to deal with the Covid crisis.

The Annual Governance Statement must be signed by the Chief Executive and a leading member.

10.0 Other Implications

10.1 Equality and Diversity

The Council continues to do important work to enable inclusion for its service-users and the community. Whilst support to the community is innovative, the Council also needs to focus on developing an internal culture that mirrors its external strategy. The Council will start mapping out its actions that are consistent with its long-standing equality and diversity commitments and keep staff informed of future developments

10.2 Sustainability Implications

There are no direct sustainability implications

10.3 Greenhouse Gas Emissions Impacts

None

10.4 Community Safety Implications

There are no direct community safety implications

10.5 Human Rights Act

There are no direct human rights implications.

10.6 Trade Union

There are no direct trade union implications

10.7 Ward Implications

None

10.8 Implications for Corporate Parenting

None

10.9 Issues Arising from Privacy Impact Assessment

None

11.0 Not for publication documents –

None

12.0 Recommendations

12.1 That the Governance and Audit Committee authorise the Leader of the Council and the Chief Executive to sign the document, on behalf of the Council, to accompany the Statement of Accounts 2019-2020.

13.0 Appendix 1: Annual Governance Statement 2019-20

14.0 Background documents

Accounts and Audit Regulations 2015

CIPFA/Solace Delivering Good Governance in Local Government Framework 2016
Statement of Accounts

DRAFT ANNUAL GOVERNANCE STATEMENT 2019-20**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 2020 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 consist of the following key elements:

2.1 Code of Corporate Governance.

The Council's Code of Corporate Governance adopts the seven core principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government" –

- 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 Covid Emergency Arrangements

As reported to the 24 March meeting of Executive in order to ensure an appropriate response to the Covid crisis, a new temporary command structure was established in order to oversee decision making and to shape and respond to key issues across Council services and across the Bradford District:

West Yorkshire Local Resilience Forum met daily to undertake regional coordination of actions and arrangements across partners including the Emergency Services, Local Authorities, Government agencies, utilities, rail industry and voluntary sector. It included working with military planners.

District Gold Command was a multi-agency body of senior leaders that was chaired by the Council's Chief Executive. It met weekly to undertake Bradford District wide coordination and information sharing. Following the conclusion of the initial emergency response phase on July 2020 the District Command Structure was stepped down. However the need for a coordinated approach to recovery remained and partnership arrangements were refreshed to take on this responsibility. The **Public Service Executive** is a multi-agency body of senior leaders, chaired by the Council's Chief Executive. Its function is to oversee the implementation of the next phase of the Bradford District Recovery Plan; to enable chief executives to make rapid tactical decisions and coordinate actions; and to support the Wellbeing Board to develop the next District Plan.

Council Gold Command was comprised of the Council's senior management team. It met twice a day on most days and set overall policy & strategy for dealing with Covid 19. Council Gold was responsible for decision-making and the release of resources and the coordination of risks and issues. It informed regional and national bodies as appropriate of the situation on the ground and its members liaised closely with the Council's political leadership.

District Silver Command was a multi-agency body meeting twice weekly to support District wide activity and sharing of intelligence. It is chaired by the Council's Strategic Director for Place.

Council Silver Command met twice a week and was responsible for tactical management of the incident, including operational overview and identification. It is responsible for bringing important decisions and issues to Council Gold command and for ensuring that Gold strategy is followed.

Bronze was a multi-agency approach to resolving operational issues relating to each priority theme, identification of decisions for agreement at Silver or to Gold for awareness and the implementation of decisions.

Arrangements were put in place to ensure that the Council's political leadership were involved in significant decisions, kept informed of emerging issues, could share information and intelligence and was supported to undertake effective political management of sensitive issues. The Leader of Council met daily with the Chief Executive and the Strategic Director, Corporate Resources, to review decisions and their implementation, update on issues and share information. Portfolio holders were involved as far as possible in decisions in their areas of responsibility and kept briefed and updated in this fast moving situation.

The Council's Executive meets weekly with its management team to discuss the situation. The Executive met informally every other day to discuss progress. All Councillors received regular written updates. A number of Council meetings were cancelled as the Council, like many others across the country and the region, sought to identify a technical solution that enabled meetings to be held remotely in ways that meet legal requirements and support full public participation.

Protocols for remote meetings and key meetings of the Council have now been developed. The 24 March meeting of Executive was held remotely via teleconference. The Executive approved the recommendations as set out to be enacted by the Chief Executive under delegated powers contained in Article 14.20 of the Constitution

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.

In December 2017, the Council agreed a revised Code of Corporate Governance to incorporate new guidance from CIPFA and SOLACE. An exercise took place in 2018 and repeated in 2019, on how the Council complied with its new code and any assurances that can evidence this position. Due to the Covid Crises it was not possible to update the position in 2020. A comprehensive review of the Council's Governance Assurance processes will take place in the 2020-21 financial year that includes an audit of the emergency arrangements that operated in the first quarter.

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 provided 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. Whilst a number of operational control issues have been identified the overall Internal Audit Annual Opinion is unqualified.

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 disclosing information security risks and incidents, and to ensure it discharges fully its duties under the Data Protection Act 2019.

The outcome of the review of effectiveness provided the necessary assurance and no significant issues were identified, with the exception of the need to continue to improve Children's Safeguarding services.

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 2018/19 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 23rd January 2020. The following sections give an update on these risks. Whilst one of these risks was mitigated during the 2019/20 financial year, two risks are continuing to be monitored and remain high profile in 2019/20.

The Council's response to the COVID crises remains core to the Council's approach to governance and will be monitored through the 2020/21 financial year

5. Governance challenges previously recognised for which monitoring arrangements and adaptations of the governance framework are now complete.

5.1 General Data Protection Regulations.

The Council's Information Assurance, Management and Governance framework has been refreshed and an action plan/work programme developed to allow for continued and regular monitoring of GDPR compliance through the Council's Information Asset Owners (Directors and Assistant Directors). An Internal Audit has been undertaken, Council wide, and any recommendations to improve GDPR compliance will be added to the action plan/work programme.

6. Governance challenges previously recognised which require continuing review in 2020/21

6.1 Safeguarding Vulnerable Children

The latest OFSTED Monitoring visit took place in February 2020 with a future monitoring visit waiting to be arranged. The Council's response to meet the improvements required is the establishment of the four Programmes below,

Prevention and Early Help
Social Work Practice
Leadership and Management
Children in Care / Leaving Care

High focus areas are to:

- Improve standards and performance of Social Work practice working with children and families known to Children's Social Care (CSC)
- Establish and maintain a stable, funded and demand led CSC structure which supports the needs of children, increases the number of permanent staff and reduces the reliance on agency workers over time
- Support partners to increase the number of lead practitioners and through Early Help to support children with multiple or complex needs; thereby reducing the demand on CSC
- Safely reduce the number of children in care by returning home or securing permanence
- Improve the quality and sufficiency of placements for children in care which support their holistic needs; while reducing Out of Area places
- Improve the quality and use of data and intelligence to support decision making, direct practice and target provision across the children's system
- Improve the functionality of case management systems to support effective practice and budget management.

Highlights this period and areas for practice improvement over the coming months

- The practice standards have been signed off and distribution and is being supported by a programme of training and learning
- Permanence tracker has been developed from scratch and is actively being populated
- Performance against key indicators is on an upward trajectory
- All Social Work documents have been re-written and are now compliant with statutory requirements. These are with ICT colleagues.

-
- The Early Help Module is in the final stages of testing – once this is live, we will finally address the long standing issue of high volumes of no further action cases at the front door
 - Supervision policy is now in draft and being consulted on
 - Fostering allowance policy has been drafted and legal advice sought. Further work required and financial implications to be presented to Departmental Management Team.
 - Planning for the next Ofsted monitoring visit well underway
 - Progress in the Integrated Front Door is moving at pace.
 - A new challenge and resolution process has been implemented for child protection co-ordinators and for the Independent Reviewing Officers to ensure avoidance of drift and delay

6.2 Ensuring an effective, integrated system of health and social care

The Strategic Partnering Agreement has been in place since Spring 2019, which sets out the wider Governance framework for policy direction and decision making across the partnership. The governance and implementation arrangements around this continue to evolve.

Work to review and refresh the Section 75 agreement commenced in 2019 and will be resumed following a pause during the Covid emergency. A contract variation to cover the Covid-19 hospital discharge planning guidance is being completed through a standalone partnership board. Governance for this scheme will be provided by the Partnership Board, which will provide financial and commissioning oversight of Covid-19 related activity and expenditure under the scheme.

The System governance and programmes have been reviewed and new arrangements are in place, including the new health and care system Executive Board which replaces the ICB. The Board has also set up new sub committees which cover system Quality & Safety and Finance and Performance related issues.

The review of the Health and Wellbeing Board has been completed, which has resulted in the new Wellbeing Board. The new Board includes Chairs of each of the key strategic partnerships such as the Economic Partnership and the Childrens Trust. Work is underway to refresh the District Plan and the infrastructure to support the delivery of partnership activity. One of the initial priorities for the group will be on addressing inequalities.

7. New 2020/21 Governance Challenges

In response to the Covid crises the Council is now required to consider the leadership, plans and actions that will be required over the medium and long term as it seeks to lay the foundations for a better future through

- Promoting equality and social justice and promoting an inclusive and connected economy.
- Early Help and prevention supporting the empowerment of individuals, families and communities.
- Working to become a child friendly city.
- Sustainable and inclusive development and use of resources.

Decision making will be informed by what is already known of the District, its challenges and significant asset base, the known impact of Covid 19, and what can be reasonably assumed about the future. This will also include the opportunities afforded through regional devolution and by the need to deliver inclusive and sustainable economic growth to which everyone can contribute and from which everyone can benefit.

In respect of risk management and governance, the situation continues to change and is characterised by a very high degree of uncertainty about impact on services and on Council resources. Assessment of risk is being kept under on-going review by senior management and the overarching impact of the crisis on Council responsibilities and service delivery will require the Council's Strategic Risk Register to be reviewed once the impact and the consequences of the crisis are better understood.

Legally, The Coronavirus Act 2020 is the government's main legislative change in response to the pandemic. Most of its provisions came into effect on 25th March 2020, but detailed further legislation in the form of statutory instruments, and government guidance have been issued since that date and continue to be published.

It is too early to understand the full equality and diversity impact of the Covid crisis. The emerging evidence, however is the impact of the Covid virus itself, the measures taken in lockdown and the likely future will all have a disproportionate impact on those with protected characteristics. Therefore, equalities will need to be at the heart of the Council's response and long term work around Covid.

A comprehensive review of the Council's Governance Assurance processes will take place in the 2020-21 financial year that includes an audit of the emergency arrangements that operated in the first quarter.

8. West Yorkshire Pension Fund

The Council is the administering authority for West Yorkshire Pension Fund (WYPF). WYPF produces its own Governance Compliance statement which has been prepared in accordance with the requirements of the provisions of the Local Government Pension Scheme (LGPS) Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the LGPS 2008.

The Governance and Audit Committee has legal and strategic responsibility for WYPF. The Council has established three bodies to assist and support the Governance & Audit Committee oversee WYPF:

- WYPF Investment Advisory Panel and
- WYPF Joint Advisory Group
- WYPF Pension Board

WYPF Investment Advisory Panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity. In this capacity, the Panel is responsible for formulating the broad future policy for investment.

WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions administration function, and for reviewing and responding to

proposed changes to the Local Government Pension Scheme. In addition the Group approves the budget estimates for the pensions administration and investment management functions of WYPF, and also receives WYPF's Annual Report and Accounts.

WYPF Pension Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including:

- securing compliance with the LGPS regulations and any other legislation relating to governance and administration of the LGPS;
- securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator (TPR);
- Any other such matters as the LGPS regulations may specify.

The Council is also responsible for the financial and management arrangements of the West Yorkshire Pension Fund and a separate assessment of the adequacy of these arrangements is also required. The following internal arrangements are in place to provide the Council with the necessary assurance.

- West Yorkshire Pension Fund has adopted the Council approved approach to risk management.
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management.
- Risks are monitored and MAPs reassessed regularly.
- A risk management report is submitted annually to the WYPF 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 on 30 July 2020.

9. Statement

We are satisfied that an effective system of internal control has been in place throughout the financial year and is on-going. Over the coming year we propose to take steps to address the challenges identified above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Councillor Susan Hinchcliffe, Leader of Council

Signed:

Kersten England, Chief Executive



Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 20 August 2020

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Subject:

Amendments to West Yorkshire Pension Fund Funding Strategy Statement

Summary statement:

- 1.1 WYPF must maintain a Funding Strategy Statement (FSS) in accordance with the LGPS Regulations 2013. It must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy.
- 1.2 The proposed amendments to the FSS were for two key items:
 - a) Changes to the Local Government Pension Scheme (LGPS) Regulations relating to exit credits, and
 - b) Changes to how new admissions are administered, to reduce administration and advisory fees and to provide a further option for employers via the introduction of a pass through (“pooling”) approach.
- 1.3 A consultation on the proposed amendments to the FSS ran for 4 weeks up until 31 May 2020.
- 1.4 A report was taken to the Joint Advisory Group (JAG) on 30 July, but the JAG did not approve it, objecting to a previously approved paragraph relating to climate change.
- 1.5 The proposed amendments are required to keep the FSS in line with the regulations.

Rodney Barton
Director

Portfolio:
Leader of Council & Strategic Regeneration

Report Contact: Rodney Barton
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Overview & Scrutiny Area:
[Insert where appropriate]

1. SUMMARY

1.1 In accordance with Regulation 58 of the LGPS Regulations 2013:

- An administering authority must, after consultation with such persons it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.
- The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

1.2 A consultation exercise on the proposed amendments to the FSS ran for 4 weeks up until 31 May 2020, one comment was received and was responded to by officers.

1.3 A report was taken to the Joint Advisory Group (JAG) on 30 July, but the JAG did not approve it, objecting to a previously approved paragraph relating to climate change.

1.4 The proposed amendments are required to keep the FSS in line with the regulations.

1.5 The first amendment ensures that WYPF is not exposed to having to make unjustified exit payments to contractors to the detriment of the Districts and other Scheduled bodies. Full details are contained in paragraph 3 of the JAG report attached as Appendix 1.

1.6 The second amendment is to smooth administration arrangements for admitting employers who are short term contractors (usually less than 5 years), which will reduce the cost for the Scheduled bodies employing the contractors. Full details are contained in paragraph 4 of the JAG report attached as Appendix 2.

2. RECOMMENDATION

2.1 It is recommended that the revised Funding Strategy Statement be approved.

3. APPENDICES

Appendix 1 – Funding Strategy Statement

Appendix 2 – Funding Strategy Statement report to the Joint Advisory Group

WYPF

Draft Funding Strategy Statement

August 2020

1. Introduction

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare a Funding Strategy Statement (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 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 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 on the matters set out in the FSS, 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 the benefits are specified in the governing legislation, currently the Local Government Pension Scheme Regulations 2013 (as amended) (“the Regulations”).

1.4 Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation be completed every three years by the actuary, to include a rates and adjustments certificate. 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 Scheme, 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, scheduled, designating, and admission 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, scheduled, designating, and admission 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 Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment regulations.

4. Responsibilities of Key Parties

4.1 The sound management of the Fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the Administering Authority, Scheme employers and the actuary.

4.2 The Administering Authority should:-

- 4.2.1 operate a pension fund;

- 4.2.2 collect employee and employer contributions, investment income and other amounts due to the pension fund;
- 4.2.3 invest all monies held in accordance with the ISS;
- 4.2.4 maintain adequate records for each Scheme member;
- 4.2.5 exercise discretions within the regulatory framework, taking into account the cost of decisions;
- 4.2.6 take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
- 4.2.7 ensure sufficient cash is available to meet liabilities as they fall due;
- 4.2.8 pay from the pension fund the relevant entitlements as stipulated in the Regulations;
- 4.2.9 provide membership records and financial information to the actuary promptly when required;
- 4.2.10 prepare and maintain a Funding Strategy Statement and 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/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 Fund which affect future funding; and
- 4.3.8 be aware that responsibility for compensatory added years, which the Administering Authority pays on behalf of the employer as a paying agent, lies with the employer which awards and is recharged for the cost of compensatory added years.

- 4.3.9 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 the secure scheduled bodies) has been set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rate:

- 5.1.1 the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
- 5.1.2 the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- 5.1.3 the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the 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 secure Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following cessation, **or in the case of community admission bodies, where a suitable guarantee is in place,** the Solvency Target is set:

- 5.5.1 at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period,
- 5.5.2 based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pensions accounts (Consumer Price Index (CPI)).

As at 31 March 2019 the long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed.

As at 31 March 2019 the solvency discount rate is therefore of 4% p.a.

5.6 For Admission Bodies whose liabilities are expected to be orphaned following exit, **other than those community admission bodies where a suitable guarantee is in place,** a more prudent approach will be taken. The Solvency Target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds after exit.

5.7 For scheduled bodies with no guarantee from local or central government and 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 Solvency 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 asset-liability modelling carried out by the Fund Actuary.

With effect from 31 March 2019 the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is a 75% chance that the Fund would reach or exceed its Solvency Target after 25 years (the Trajectory Period).

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 shortfall, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined above). The key assumptions used for assessing the Funding Target at the 2019 Valuation are summarised in Appendix A.

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 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 or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.

Funding Targets and assumptions regarding future investment strategy

5.12 For Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite, Admission Bodies with a subsumption commitment from such Scheduled Bodies, **and community admission bodies, where a suitable guarantee is in place** 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.

At the 2019 valuation by virtue of having taken account of some of the above factors, the Administering Authority has adopted a less risky (more prudent) funding target than the scheduled and subsumption body funding target for scheduled bodies in the HE/FE sector. This is the intermediate funding target and the precise target depends upon the employer's assessed level of risk.

5.14 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 despite the approach taken on exit. This is known as the intermediate funding target and the precise target depends upon the employer's assessed level of risk. At the 2019 valuation this applies to admission bodies in the housing and HE/FE sectors.

5.15 For all other Admission Bodies whose liabilities are expected to be orphaned on exit, **other than those community admission bodies where a suitable guarantee is in place**, the Administering Authority will have regards to the potential timing of such exit and any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit. This is known as the ongoing orphan admission bodies funding target. It is not the same as the exit basis.

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, subject to any smoothing of contribution changes employers' contributions will be adjusted to target 100% funding over the Recovery Period. The Fund has a target of achieving the Funding Target within a maximum period of 22 years. Whilst this is longer than the expected average future period of membership of active members, the Administering Authority considers this is reasonable in the context of the LGPS as a statutory scheme and it is a prudent approach when the Fund's assets are greater than the liabilities (sum of the employers' funding targets). The recovery period is also based on the assumption that the Scheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term.

5.18 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 deficit. 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 deficit 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 **commitments or suitable** guarantees from such bodies - 22 years
- 5.19.2 open admission bodies without a subsumption **commitment or suitable** guarantee and no fixed or known term of participation and scheduled bodies with no local or central government guarantee - 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 or surplus;
- 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.
- 5.20.6 the views of the subsuming employer where the funding target adopted is dependent upon another employer subsuming the assets and liabilities post-exit

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.

5.22 Employer contributions required to meet the cost of future accrual of benefits for members after the valuation date (the “primary contribution rate”) are assessed based on each employer or group of employers’ membership, funding target and appropriate funding methodology.

5.23 The primary rates may be reduced if the employer or group’s notional share of the Fund (its assets compared to its funding target) is calculated to be in surplus. Alternatively, additional employer contributions may be required to rectify a shortfall of assets below the funding target. These past service (“secondary”) contributions 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 Fund, 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 achieved on the assets of the Fund to each employer a pro-rata principle has been adopted. From 1 March 2018 the investment performance will be allocated on a monthly basis via the unitisation process (applied retrospectively to 1 April 2016 in respect of any inter-valuation calculations where the employer asset value is taken from the output of the unitisation model).

5.24 The method and assumptions for assessing employer contributions at the 2019 Valuation are set out in Appendix A.

5.25 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:

- 5.25.1 a maximum 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.
- 5.25.2 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.
- 5.25.3 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, including how any exit credit may be determined are set out in the separate Policy on New Employers and Exit Valuations document at Appendix B.

5.26 With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer's contribution rate. For deaths in service and tier 1 and tier 2 ill health retirements the experience will be spread across all employers.

5.27 Two key principles making up the funding strategy and to be adopted for the 2019 actuarial valuation are to:

- 5.27.1 provide stability in primary employer contribution rates and secondary employer contribution amounts where possible, 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 2020 will be adopted where appropriate and required;
- 5.27.2 retain a maximum 22 year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.28 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.

5.29 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 to 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.

Long-term cost efficiency

5.30 The Administering Authority believes 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. In particular, retention of a 22 year recovery period for the majority of employers ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate).

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, where justified on affordability grounds, contribution rates for admission bodies subject to the ongoing orphan funding target may be relaxed i.e. 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. It is expected such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the ongoing funding target plus a contribution towards any shortfall. 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 (unitisation)

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 With effect from 1 April 2016 a unitised approach has been taken 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 last actuarial valuation) as its starting point and allocates all Fund cashflows between employers on a monthly basis as agreed with the Administering Authority. The Administering Authority believes this results in a more accurate and transparent allocation of assets to employers and reduces the likelihood of unintended cross-subsidies between employers than other approaches. Further information on the model and how it operates is available on request.

Former Participating Bodies

5.37 Where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary 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 reduces 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 B.

5.38 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 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 A, which takes into account the investment strategy adopted by the Fund, as set out in the ISS.

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 ISS, 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 ISS 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 (pool) 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, investing 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 discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks.

7.7 The Administering Authority will ensure that the Fund Actuary investigates demographic experience at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund

experience and wider evidence where needed e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigations of the Institute and Faculty of Actuaries. If the Administering Authority becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

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 in the Fund, and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.

7.9 If significant liability changes become apparent between valuations, the Administering Authority will notify the affected 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. It will also consider the extent to which such changes can or should be allowed for in exit valuations, taking advice from the Fund Actuary.

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 and employer activity where an employer consolidates its LGPS membership in another fund, leading to a transfer out of the Fund. Changes in the funding position and hence (secondary) employer contributions can also affect the cashflow position since it is not always possible to deliver complete stability of contributions. 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 lower member contributions, as provisionally agreed as part of the Scheme Advisory Board cost management process will lead to lower member contributions which may not be immediately matched by higher employer contributions;
- 7.10.5 an increase in the take up of the 50/50 option (whether on affordability grounds or to avoid tax charges) 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 or other changes 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. There are a number of uncertainties associated with the benefit structure at the current time including:

- 7.12.1 How Government will address the issues of GMP indexation and equalisation beyond expiry of the current interim solution from 6 April 2021
- 7.12.2 The McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal be age discrimination, and what that remedy might be in the LGPS in terms of its scope and form.
- 7.12.3 The outcome of the cost management process and whether the agreement reached in relation to the Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay

7.13 There are a number of consultations which have been issued in recent years, some of which represent proposed changes which were first raised a number of years ago, including a cap on exit payments by public sector employers, new Fair Deal arrangements and greater flexibility on employer exit from the LGPS. Some of these may affect funding and pose a risk to the Fund. The Government has also consulted on changes to the valuation cycle although the Administering Authority understands that the 2022 valuation is definitely going ahead as planned.

7.14 The Administering Authority will keep abreast of all the changes to the LGPS, both proposed and confirmed and discuss any proposals which may affect funding with the

Fund Actuary as required. 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

7.15 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.

7.16 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. It has also developed a framework for analysing the risk posed by the larger Tier 3 employers and introduced additional funding targets at the 2019 valuation to reduce the risk of employers failing and exiting the Fund with a material shortfall relative to the exit liabilities. It does not consider it appropriate (or affordable for the employers concerned) to eliminate the risk of an unmet exit deficit and will ask the Fund Actuary to review the funding position of the short term and Tier 3 employers between triennial valuations where it believes this is appropriate.

Governance risk

7.17 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, including a wholly owned company which does not participate in the Fund, or only participates **for some employees**, or an admission body closing the scheme to new entrants.

7.18 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.

7.19 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. The Fund will commission triennial reviews of any bonds as part of its risk management.

7.20 The Fund will monitor employers with a declining membership, and may introduce a more conservative funding strategy for such employers.

Climate Change

7.21 The Systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Administering Authority and Investment Advisory Panel keeps the effect of climate change on future returns under review and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

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 Fund.

APPENDIX A

Actuarial Valuation as at 31 March 2019

Method and assumptions used in calculating the funding target

The actuarial method to be used is the Projected Unit method, under which member benefits are projected to increase in line with the salary increases and revaluation of pension accounts (as appropriate) 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 2019 valuation the discount rate is 4.35% p.a (the scheduled and subsumption body funding target), with the exception of:

- Admission Bodies **without a subsumption commitment or suitable guarantee**, where the discount rate is 3.3% 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 1.6 % (left service), which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.3 % in light of the market expectations of future increase in gilt yields. This is the ongoing orphan admission body funding target.
- Housing associations, universities and colleges, where a risk assessment has been carried out and the employer has been allocated to one of the intermediate funding targets **and admission bodies with a subsumption commitment from such employers.**

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).

Post-retirement Mortality Base Rates

Normal Health: Standard SAPS S2N Normal Health tables, year of birth base rates, adjusted by a scaling factor as set based on Fund experience.

Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor as set based on Fund experience.

Future improvement to base rates

An allowance for improvements in line with CMI_2018 for men or women as appropriate, with a long term rate of improvement of 1.50% p.a, sk of 7.5 and parameter A of 0.0.

Other Demographic Assumptions

Allowance is made for withdrawals from service, death on service and retirements due to ill health.

McCloud/Cost Cap

0.9% of pay has been added to employer contributions based on Fund-specific calculations carried out by the Fund Actuary. This figure has been calculated across the Fund as a whole on the scheduled and subsumption body funding target assuming the following remedy:

- Compensation will apply to members who joined before 1 April 2014 (see below)
- Benefits will be the better of those accrued in the 2014 Scheme or those accrued in the 2008 Scheme, backdated to 1 April 2014 (i.e. an 'underpin' approach).
- Compensation will apply to members who retire from active service with immediate pension benefits, through normal health or ill health retirement (this is because

transitional protections only applied to member retiring from active service with immediate pension)

- The remedy will not apply to spouses' or dependants' benefits. This is because transitional protections only applied to members' benefits.

The cost is split 0.2% of pay in respect of past service and 0.7% of pay in respect of future service where the past service cost has been spread over a recovery period of 22 years.

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 member benefits are protected to increase in line with revaluation of pension accounts 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 2019 actuarial valuation

Discount rate (in service)	<p>4.35% for Secure Scheduled bodies 4.1% Intermediate (low risk Scheduled Bodies)</p> <p>3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies)</p> <p>3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies)</p> <p>3.3% Ongoing Orphan Admission Bodies</p> <p>Orphan Admission Bodies and Intermediate funding target (see paragraph 5.15)</p>
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Discount rate (left service)	<p>4.35% Secure Scheduled Bodies 4.1% Intermediate (low risk Scheduled Bodies)</p> <p>3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies)</p> <p>3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies)</p> <p>1.6% Ongoing Orphan Admission Bodies</p>
Rate of general pay increases	3.35%
Rate of price inflation (RPI)	3.2%
Rate of price inflation (CPI)	2.1 %
Rate of pension increases (on benefits in excess of GMPs)	2.1%
Rate of pension increases on post-88 GMPs	1.9%
Rate of deferred pension increases	2.1%
Rate of GMP increases in deferment	3.35%

APPENDIX B: 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-

- (i) any Scheme employers, or
- (ii) local authorities or officers of local authorities;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-

- (i) the transfer of the service or assets by means of a contract or other arrangement,
- (ii) a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
- (iii) directions made under section 497A of the Education Act 1996;

(e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

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 a subsumption commitment is in place, the funding target for the admission body will generally be the same as that appropriate to the subsuming employer, unless the circumstances dictate otherwise. Where such a commitment is not available, the orphan body funding target will generally be adopted, for the new admission 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.

With effect from 1 April 2020 the Administering Authority is also prepared to admit new contractors on a "pooled pass through" basis which means that for funding and contribution rate purposes the admission body will be grouped (or pooled) with the Scheme employer. It will operate as follows:

- There will be no notional allocation of assets from the Scheme employer to the admission body on commencement of the contract
- On admission the contractor will pay the contribution rate payable by the Scheme employer (with any monetary secondary contributions converted to a % of pay as appropriate)
- Contributions will be set at each triennial valuation (and any other time as appropriate) based on the combined funding position and primary contribution rate for the group/pool (i.e. there will be no separate calculation of funding position or employer contributions for the admission body)
- There will be no payment due from or to the contractor on exit, with responsibility for funding its liabilities assumed to remain with the Scheme employer unless there is a transfer to another employer.

The contractor will be assumed to be liable for any strain costs or other payments due to the Fund where it grants additional pension under Regulation 31 and strain costs. All other experience will be shared between the members of the Scheme employer group/pool.

Should there be any need to provide a notional asset value for the contractor, e.g. for accounting under FRS102/IAS19, this will be on a pro rata basis, i.e. the group/pool's notional asset share will be allocated to the employers in the pool in proportion to their liabilities calculated on assumptions appropriate to the group's funding target.

A pooled pass through arrangement will be the default option for all new admissions under paragraph 1(d) where the initial contract length is less than 5 years and there are fewer than 100 members transferring to the new admission body.

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. This will include specific provisions relating to pass through as outlined above. Details are available on request.

Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to a new employer, whether an admission body or otherwise, will be re-charged to the employer. These costs will include, where appropriate, the cost of

actuarial advice relating to any risk assessment required under the Regulations (see next section).

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. 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) 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. Unless the shortfall amount were material, the allocation of the shortfall to all employers in the Fund would be carried out at the next formal actuarial valuation. 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.

New academies are currently considered to qualify as indefinite participants in the Fund with full taxpayers backing, 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 any admission bodies for which an academy provides a subsumption commitment and also the default approach taken to the notional assets transferred to academies upon conversion.

For 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;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter. The likelihood of new members joining the Fund
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to a scheduled body joining the Fund will be re-charged to the employer.

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.

The Administering Authority ensures that it has sufficient investment in Government bonds to cover the orphan liabilities and at each triennial valuation the Fund Actuary notionally allocates assets to ensure the orphan liabilities are met in full, where those liabilities are measured by reference to the yield on gilts.

Ongoing calculations for employers subject to the orphan admission body funding target will be carried out using assumptions which are intended to broadly 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 may be needed from the original employer to the new employer.

Unless a pass through approach applies, 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 (where required) 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 subject to a maximum transfer of assets equal to the transferring liabilities. This unadjusted share of the Fund approach means 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.

In calculating the notional assets to transfer to a new employer the Actuary will consider the liabilities based on the confirmed benefits of the LGPS at the date of joining. However, for new employers joining after 31 March 2019 it may be necessary for the asset transfer to be revisited once the current uncertainties relating to the benefit structure of the LGPS from 1 April 2019 (see paragraph 7.12 above) are resolved.

Employer Contribution Rate

Initial Rate

When a new employer joins the Fund, unless a pass through approach is in place when the employer will pay the same contribution rate as the Scheme employer, 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 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 and following discussion with the ceding employer as appropriate.

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). **In addition, in exceptional circumstances contributions may be reviewed between valuations where this is indicated in the Rates and Adjustments Certificate.**

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 generally 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 funding target for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body, updated for financial conditions at the exit date.

In exceptional circumstances the funding target for subsumed liabilities may be varied if deemed appropriate by the Administering Authority, on the advice of the Fund Actuary.

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.

For exits on or after 1 April 2019 the Actuary will add 1% to the value of the exiting employer's liabilities as a prudent margin given the possibility of additional liabilities arising due to the McCloud/Sargeant case and GMP indexation and equalisation. However, the Administering Authority will not seek to recalculate the exit liabilities for exits on or after 1 April 2019 where the exit deficit (or credit) has already been paid as at the date this Statement comes into effect.

In determining this margin for prudence the Administering Authority has had regard to guidance prepared by the SAB¹ and the advice of the Fund Actuary. It will be kept under regular review as further information on the McCloud/Sargeant case becomes available.

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, i.e. **it does not**

extend to subsumption of the exiting employer's assets and liabilities, 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.

Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to the exit of an employer from the Fund will be re-charged to the exiting employer.

Exit Credits

Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and an exit credit is due to be paid to the exiting employer, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the employer within 6 months the exit date. Where the employer has not provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit within 2 months of the exit date, the employer will be deemed to have agreed that the 6 month period should run from the date all the necessary data has been provided. In determining the amount of any exit credit payable the Administering Authority will take the following factors into consideration:

(a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus)

(b) the proportion of the surplus which has arisen because of the value of the employer's contributions

(c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the 2013 Regulations, and

(d) any other relevant factors, which include any legal, actuarial or other costs incurred by the Administering Authority in relation to the exit, the circumstances in which any subsumption commitment was granted, and any risk sharing arrangements in place.

For exits where there is a subsumption commitment and hence the ongoing funding target appropriate to the subsuming employer is adopted on exit, the Administering Authority's default approach will be to pay an exit credit which is the lower of the surplus amount and the amount of contributions paid by the exiting employer.

For exits where there is no subsumption commitment and hence the orphan (i.e. gilts-based) funding target will apply, the Administering Authority's default approach will be to pay an exit credit equal to the amount of the surplus on exit less any costs incurred by the Administering Authority in relation to the exit.

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. The Administering Authority may also direct the Fund Actuary to carry out a valuation of the liabilities of the exiting academy in the fund at the date of exit in order to assess the effect of its failure on the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAT) are aware to the extent of these liabilities.

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.

Where academies move between multi-academy trusts, for example where a MAT winds up and its academies transfer into different MATs (whether existing MATs within the Fund or newly-established MATs), the Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of any academy moving between MATs and of all academies within the exiting MAT. Where the exiting MAT is the scheme employer, and hence an individual funding position has not been maintained for the constituent academies, the assets notionally allocated to each of its academies will be derived by assuming each has the same funding level as the MAT as a whole. The calculation of the assets and liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the assets and liabilities transferring and to ensure that the residual position of the exiting MAT (if any of its liabilities are not transferring to a new academy or MAT) is correctly assessed for the purpose of invoking the Department for Education guarantee.

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. If there are no new members by the time the suspension notice expires the Fund Actuary will carry out an exit valuation as at the date the suspension notice expires.

4. Responsibilities of employers in the Fund

Individual employers, Multi Academy Trust or the Department for Education 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
- any intervention by, or voluntary undertaking provided to, the appropriate regulator

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.



Report of the Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 July 2020

Subject: Funding Strategy Statement (FSS)

Summary statement:

Following a consultation exercise with all stakeholders WYPF's current Funding Strategy Statement requires updating to cater for two key items:

- Changes to the Local Government Pension Scheme (LGPS) Regulations relating to exit credits, which came into effect on 20 March 2020, effective from 14 May 2018; and
- Changes to how new admissions are administered, to reduce administration and advisory fees and to provide a further option for employers via the introduction of a pass through ("pooling") approach with effect from 1 April 2020.

We have also taken the opportunity to clarify that the costs of employers joining and exiting the Fund will generally be re-charged to the relevant employers to avoid all employers in the Fund picking up these costs (which will principally relate to actuarial and legal fees).

Recommendation

The Joint Advisory Group approve the changes to the Funding Strategy Statement.

Rodney Barton
Director WYPF

Portfolio:

[Insert where appropriate]

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Overview & Scrutiny Area:

[Insert where appropriate]

1. SUMMARY

1.1 In accordance with Regulation 58 of the LGPS Regulations 2013:

- An administering authority must, after consultation with such persons it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.
- The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

1.2 A consultation exercise on the proposed amendments to the FSS ran for 4 weeks up until 31 May 2020.

2. CHANGES TO THE FSS

The Fund consulted on updates to WYPF's Funding Strategy Statement to cater for two key themes, exit credits and pass through, or pooling.

3. Exit credits

3.1 On 14 May 2018 the Government unexpectedly introduced the requirement for funds to pay out an exit credit to employers leaving the LGPS with a surplus (i.e. where the value of assets notionally allocated to the employer exceeds the value of its liabilities on exit). It soon became apparent that this wasn't working as intended and could lead to payments to contractors who had been protected against pension deficits and contribution increases under contractual arrangements that simply did not envisage surpluses being paid out. The Government consulted on possible amendments to rectify the position, and in February 2020 issued a response to that consultation, together with new Regulations which came into force on 20 March 2020. The Government response document was clear that "*Administering Authorities should adopt a fair and reasonable exit credits policy which should be set out in their Funding Strategy Statement.*" and stated that "*The policy should aim to protect the interests of the members and employers as a whole and look wider than the interests of the single employer in question.*" It also encouraged administering authorities to take legal and actuarial advice.

3.2 We have considered the regulatory changes, sought advice, and developed an approach which we believe achieves the Government's objectives and very clearly protects the interests of members and all employers of the West Yorkshire Pension Fund. Our proposed approach is set out in the attached Funding Strategy Statement, or FSS (principally the Policy on New Employers and Exit Valuations appended to the FSS). The proposed changes are highlighted to make it easier for you to review them. In summary:

- For exits where the assets and liabilities are being "subsumed" (i.e. transferring to an ongoing employer, usually the authority which has let the contract), we will instruct the Actuary to calculate the liabilities on exit using the same principles as adopted for setting contributions for the subsuming employer. We think this is fairer to the exiting employer than an approach which changes the basis on

which the liabilities are calculated on exit. Where there is a surplus on exit, the default approach will be to pay an exit credit which is the lower of the surplus and the total contributions paid by the employer, with a deduction to cover any costs incurred by the Fund in relation to the exit, e.g. actuarial and legal costs. We think this is fairer to the remaining employers since the exiting employer won't be receiving more back from the Fund than it has paid in. We will liaise with the subsuming employer and exiting employer to ensure that there are no contractual arrangements in place which suggest an alternative approach, e.g. that no exit credit should be paid because all pension costs have been passed back to the letting authority. This is fair to both parties as it will enable us to reflect the specifics of any agreement in determining the exit credit payable. You should note however that we have retained the flexibility to vary the funding target (i.e. how the liabilities are calculated) in "exceptional circumstances". We don't yet know what those circumstances might be but felt it was important to have that flexibility to protect all employers should the need arise.

- For exits where there is no successor body to take on the liabilities of the exiting employer and a low risk funding target is adopted, the amount of any surplus on exit will be repaid to the employer, after deduction of any costs incurred by the Fund in relation to the exit, e.g. actuarial and legal costs. We think this is fair to the exiting employer since it is likely to have paid higher contributions than other employers due to there being no successor body. We also think it is fair to the other employers since the low risk funding target is intended to ensure that the Fund could (broadly) invest in a portfolio of government bonds to meet the liabilities, so reducing the investment risk required to pay members' benefits after the employer has exited.

3.3 The Regulations require that exit credits are paid within 6 months of the exit date or later date agreed with the exiting employer. In order to achieve this, the Fund will require the exiting employer to provide all the necessary information within 2 months of the exit date. If all the information is not received on time, the presumption will be that the exiting employer has agreed to a period of 6 months from the date all information is provided. In addition, employers must provide any relevant information in relation to the contractual arrangements or other relevant factors within the period specified by the Fund (expected to be 2 weeks in most cases). If no response has been received within the period specified, the Fund may proceed to finalise its determination and pay the exit credit where required to meet the regulatory timescales.

3.4 The changes also clarify that where an employer has a guarantee from another employer that any unpaid exit deficit will be met by the guarantor, the default approach will be for the exit valuation to be carried out on a low risk basis. The guarantor will have the option to "subsume" the assets and liabilities on exit, in which case the Actuary will calculate the liabilities on exit using the same principles as adopted for setting contributions for the subsuming employer. The subsuming employer may, at its discretion, agree to subsume the assets and liabilities on condition that any surplus on exit is retained within its notional share of the Fund rather than being refunded to the exiting employer.

4. Pass through (pooling)

- 4.1 The Fund has traditionally treated each employer individually for funding purposes, with each having its own individually assessed funding position and contribution rate. However, as the number of small admissions has risen, with many of these being in relation to contracts of less than 5 years, we have come to the view that these arrangements not only lead to contributions which can be very volatile for the employer, but they also lead to disproportionate administration time and advisory costs. We had been waiting for the long-promised Fair Deal changes before reviewing our approach but Government has other priorities and it is not clear if or when any regulatory changes will be made.
- 4.2 We are therefore proposing to implement a default approach whereby contractors with fewer than 100 members and a contract period of less than 5 years will be “pooled” with the letting authority for funding purposes. This means the Actuary won’t need to calculate a notional transfer of assets from the letting authority to the contractor nor assess the contractor’s contribution rate on commencement. The contractor would simply pay the same contribution rate as the letting authority. In addition, no exit payment would be due to or from the contractor on exit and the contractor’s assets and liabilities would be retained within the letting authority’s pool (as if subsumed). The contractor would be charged for any additional contributions due on redundancy early retirement or where additional pension is granted but otherwise all funding risks would be shared within the pool. In effect, the Actuary would treat the contractor and letting authority as a single employer when calculating contribution rates.
- 4.3 In addition, we are pleased to offer this flexibility for other contracts, i.e. where the letting authority and contractor agree, the Fund is willing to administer this pooling approach for longer-term and larger contracts. Our template admission agreement will include standard wording to document these arrangements

5. Re-charge of Costs

- 5.1 The Fund has also taken the opportunity to update our policies to clarify that the costs of employers joining and exiting the Fund will generally be re-charged to the relevant employers to avoid all employers in the Fund picking up these costs (which will principally relate to actuarial and legal fees).

6 Revised FSS

- 6.1 The draft FSS (previously attached as Appendix A) is now Appendix 1 to the report to the Governance and Audit Committee.

7. Consultation responses.

- 7.1 Only one response was received during the consultation period. Details of the comments and WYPF’s response to those comments are shown at Appendix A (Appendix B in the original version of this report)

8. Recommendation

8.1 The Joint Advisory Group approve the changes to the FSS.

9. Appendices

Appendix A - Consultation response.

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Comments received from the May 2020 FSS consultation exercise

- 1) I don't think the comments regarding exit credits, where there is a subsumption guarantee in place, are in anyway strong enough. The FSS should simply state that in no circumstances can an exit credit be paid for a surplus, when that body is gaining advantage from a subsumption guarantee being in place.

Response

The Fund is consulting on an approach which we feel is fair to all exiting employers and employers remaining in the Fund. As part of determining the amount of exit credit the Fund will consider representations made by both the subsuming body and the exiting body.

- 2 More evidence needs to be provided around the assumptions for the investment mix and assumption of a return above CPI. Please can the FSS set out the investment returns of different asset classes (excluding unrealised changes in value). i.e an appendix is needed which summarises the actual & realised investment returns achieved by the WYPF over the last 20 years.

Response

The FSS is not the place for this information to be recorded. Fund performance and investment returns are shown in the Funds report and account.

3. I'm concerned about the amount of discretion allowed in setting the solvency target. The alternative solvency levels being proposed, alongside the required criteria should be set out in the FSS.

Response

Any changes to the Funding Strategy Statement including solvency target are consulted on and subsequently approved by the Joint Advisory Group.

4. Please can an appendix be included in the FSS setting out the solvency target used by the WYPF over the last 20 years. Also please the justification for setting a solvency target of 75% be set out. i.e there is a 25% chance that solvency will not be achieved over the maximum 22 year period.

Response

The probability of funding success was increased from 69% to 75% in 2019 following a consultation exercise. In reality the Fund undertakes a valuation every three years therefore adjustments to assumptions can, and are made every three years to ensure the Fund maintains its trajectory.

5. Please can the FSS set out a table clearly showing the different investment mixes used to fund the liabilities of the different types of bodies? Please can this table also show risks and sensitivities that apply to each class of investment?

Response

Details of the Funds Investment strategy are shown in the Investment Strategy Statement which can be found on the funds website.

6. Please can a data summary be included in the FSS setting out all the different assumptions (e.g. salary increases) set out in the main narrative.

Response

All the assumptions are shown in a table format in Appendix A to the Funding Strategy Statement.



Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 20 August 2020

F

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held 30 January 2020

Summary statement:

The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

Rodney Barton
Director

Portfolio:

Leader of Council & Strategic Regeneration

Report Contact: Rodney Barton
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E-mail: rodney.barton@bradford.gov.uk

Overview & Scrutiny Area:

[Insert where appropriate]

1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

2. APPENDICES

- Minutes of the Joint Advisory Group 30 January 2020.

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 30 January 2020 in Ernest Saville Room - City Hall, Bradford

Commenced 1.00 pm
Concluded 2.50 pm

Present –

<u>Bradford Members</u> Councillors: Thornton Winnard	<u>Calderdale Members</u> Councillors: Baines Lynn
<u>Kirklees Members</u> Councillors: Murgatroyd	<u>Leeds Members</u> Councillors: Dawson Scopes
<u>Wakefield Members</u> Councillors: Speight	<u>Trades Union Members</u> Ms L Bailey (UNISON) Mr Chard (GMB) Mr A Goring (UNISON)

Apologies: Councillor Peter Harrand, Councillor Gulfam Asif, Councillor Masood Ahmed, Councillor Michael Graham, Councillor B Metcalfe, Councillor Les Shaw and Councillor Taj Salam

Councillor Thornton in the Chair

20. DISCLOSURES OF INTEREST

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all relevant business under consideration.

Action: City Solicitor

21. MINUTES

Resolved –

That the minutes of the meeting held on 25 July 2019 be signed as a correct record.

22. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals submitted by the public to review decisions to restrict documents.

23. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2019

The Director, WYPF, presented **Document “O”** which reported that, in order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes, West Yorkshire Pension Fund (WYPF) prepared an annual audited Report and Accounts.

The Reports and Accounts provided a summary of WYPF’s financial position for the year ended 31 March 2019. The audited accounts had been prepared in accordance with:-

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
- 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.

Members were reminded that the draft report and account was presented to the meeting held on 25 July 2019 shortly before the 2018/19 final audited report and account was approved by CBMDC’s Governance and Audit Committee. It was reported that the final 2018/19 audited accounts and report were available on the West Yorkshire Pension Fund’s website.

The report revealed, amongst other things, increases in the value of assets; favourable investment returns and low costs per member; administration; investment management and oversight and governance.

Key performance indicators, for 2018/19 in 20 key work areas, reflected the commitment of officers and managers in delivering services to all clients.

The fund continued to have a positive net cash flow and favourable investment returns which had exceeded benchmarks.

Resolved –

That the audited report and accounts for 2018/19 be noted.

ACTION: Director, West Yorkshire Pension Fund

24. WEST YORKSHIRE PENSION FUND 2019/20 REVISED ESTIMATES AND 2020/21 ORIGINAL ESTIMATES

The Director, West Yorkshire Pension Fund, presented **Document “P”** which reported that in accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to pension

fund accounts and not to local authorities' general fund accounts.

Document "P" revealed that the cost of services reported would be charged to the pension fund in the shared service partnership. The budget proposals in Document "P" would deliver pension administration services to over 430,000 pension scheme members, made up of 293,000 WYPF and 126,000 shared service partner members. WYPF supported over 800 active employers and the same resource would be used to manage over £15bn WYPF investment assets.

It was explained that the number of partners in the pension shared cost service continued to grow and had increased from 7 two years ago to 19 (WYPF, Lincolnshire, Hounslow LGPS and 16 fire services). More planned to join in 2020/21. The service strategy was to maintain service quality and cost performance, not necessarily the lowest cost in all areas, but a balance of cost and performance, as the quality of service is important to both employers and individual members.

A Member questioned the inclusion of a contingency of £378,000 in a summary of the 2020/21 revenue account. He was advised that Pension Funds were facing increasing statutory demands from regulators. The contingency had been allocated to meet the potential demands from forthcoming regulations. Demand was difficult to judge and the contingency would be closely monitored and regularly assessed. In response to questions about approval for the contingency it was confirmed that tight control would be exercised over any expenditure to be met from the contingency and would be included in reports to the Joint Advisory Group.

Resolved –

- 1. That the projected outturn of £14.51m against budget of £14.61m be noted for 2019/20.**
- 2. That a budget of £14.85m be approved for 2020/21.**
- 3. That the total pension cost per member of £34.46 for 2018/19 (2017/18 £36.45) making WYPF the lowest cost LGPS scheme for 2018/19 be noted.**

ACTION: Director, West Yorkshire Pension Fund

25. ACTUARIAL VALUATION 2019 AND CONSULTATION ON THE DRAFT FUNDING STRATEGY STATEMENT

The report of the Director, West Yorkshire Pension Fund (WYPF), (Document "Q") advised Members that the next triennial actuarial valuation of the West Yorkshire Pension Fund was being prepared based on the situation at 31 March 2019 and would determine the level of employers' contributions from 1 April 2020 to 31 March 2023.

Document "Q" revealed that, based on the situation at 31 March 2019, the fund was in surplus and that the five large Councils within the fund would receive a slight reduction in contributions.

The Draft Funding Strategy Statement (with tracked changes) was appended to the report together with a summary of comments received from the draft Funding Strategy Statement (FSS) consultation process.

A Member referred to previous concerns about initial rates and was assured that agreement had now been reached.

That Member continued to refer to a statement contained in the identification of risks and counter-measures in the FSS regarding climate change and a previous decision of the Investment Advisory Panel. He suggested that the Joint Advisory Group (JAG) should ask the Investment Advisory Panel (IAP) to develop a policy to deal with climate change. An additional Member agreed with that suggestion and felt that the issues about climate change were not adequately addressed in the FSS. She felt that JAG's role was to oversee such issues and requested that climate change be the subject of a future report.

The Chair reminded those Members that that the Investment Strategy was not under discussion and of the remit of the Joint Advisory Group.

A view that the FSS did not address potential risks regarding the viability of fossil fuel companies was expressed. In response assurances were provided that the Investment Advisory Panel kept the effects of climate change under review and that Investment Officers monitored all potential risks to investments.

A Member questioned pay growth assumptions contained in Document "Q" as high pay awards had not been awarded in the local government sector. In response it was explained that the assumptions were based on a forecast for the next 22 years.

Resolved –

- 1. That the report be noted.**
- 2. That the draft Funding Strategy Statement be approved.**

ACTION: Director, West Yorkshire Pension Fund

26. WEST YORKSHIRE PENSION FUND AUDIT STRATEGY MEMORANDUM

The report of the Director, West Yorkshire Pension Fund, (**Document "R"**) set out the plan for the external audit of the West Yorkshire Pension Fund for the year ended 31 March 2020.

The report was presented in draft for Members' information and would be submitted to the Governance and Audit Committee at the meeting on 26 March 2020 for approval.

In accordance with Standing Order 38.2 of the Council's Constitution the Director, West Yorkshire Pension Fund, explained that the report had not been available for public inspection five days before the meeting because the timing of publication did not allow for sufficient information to be received and made available to Members by that deadline. The item had not been deferred until the

next scheduled meeting to allow the presentation of the draft Audit Strategy Memorandum to Members prior to its presentation to the Governance and Audit Committee, for approval, in March 2020.

Resolved –

That the report be noted.

ACTION: *Director, West Yorkshire Pension Fund*

27. WYPF PENSIONS ADMINISTRATION REPORT

The report of the Director, West Yorkshire Pension Fund (WYPF) (**Document “S”**) provided an update on WYPF’s pensions administration activities over the last six months.

The report provided a very comprehensive account of administration activities including Performance and Benchmarking; Scheme Information; Praise and Complaints; Internal Dispute Resolution Procedures and Administration Updates. Document “S” revealed that, with limited and justifiable exceptions, minimum targets had been met and consideration was being given to raising minimum standards.

During discussions about increased volumes of work due to ‘linkings’ it was revealed that members with multiple jobs could link those employments. The fund had developed software which other funds had not established. It was questioned if those systems could be used to generate income. It was explained that only ten other pension providers used the same systems. The systems which had been developed internally had been sold back to the software providers.

In response to questions Members were advised of a number of categories for which the fund had been nominated for awards and it had been the recipient of three awards in the previous year.

Resolved –

That the report be noted.

ACTION: *Director, West Yorkshire Pension Fund*

28. SHARED SERVICE PARTNERSHIP UPDATE

The Director, West Yorkshire Pension Fund presented **Document “T”** which reported on current administration issues and performance for West Yorkshire Pension Fund’s shared service partnerships.

The background to the report explained that WYPF provided shared service pensions administration to:

- Lincolnshire Pension Fund
- London Borough of Hounslow Pension Fund

- Sixteen Fire Authorities

An update on each of the three services was appended to the report and concluded that WYPF provided an efficient and cost effective shared service to both the Local Government and Fire Scheme partners. In particular, WYPF was recognised for the high standards of service not only to the members of the schemes but also to the administrators who valued the expert knowledge and guidance provided to them. WYPF was regularly approached for discussion and engagement on possible additional business.

In response to questions about differing levels of scheme specific data outlined in the report it was explained that the other partners' data had previously been managed by third party administrators and was not complete for every member. Elements of that data was in paper form and not structured. Improvements on those data scores would, therefore, be over the longer term as WYPF reviewed each record. The timeliness of the receipt of data was no longer an issue and was the reason this was not referred to in the report.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

29. LOCAL GOVERNMENT SCHEME REGULATION UPDATES

This report of the Director, West Yorkshire Pension Fund (WYPF), **Document “U”**, discussed changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

Members were aware that the career average Local Government Pension Scheme (LGPS) was introduced on 1 April 2014. Since the introduction of the new LGPS there have been a number of consultations on proposed changes to the LGPS, following which amendment regulations have been issued.

LGPS (Amendment) Regulations 2019 were laid before Parliament on 5 November 2019. Those Regulations were effective from 31 December 2019 and introduced survivor benefits payable under earlier regulations for opposite sex civil partnerships. A person who was the surviving opposite sex civil partner of a deceased member would be provided with a survivor pension calculated on the basis that the survivor was a widow or widower depending on their gender.

Following a consultation on the local valuation cycle and the management of employer risk MHCLG had reported it had received around 280 responses. A response or amendment regulations had been expected in autumn 2019 however this had not been issued to date.

The report revealed that a consultation on restricting exit payments had closed on 3 July 2019. Her Majesty's Treasury (HMT) had not yet published its response to the consultation, however, it was understood that HMT would not be introducing the exit cap before 1 April 2020.

Members were advised that it was not yet known when the 'McCloud case' would be resolved. The impact of that outcome on the LGPS was questioned. In response it was explained that members of the 2014 scheme had some benefit protection if they were within 10 years of retirement and their benefits in the old scheme were more favourable than the new. It was expected that the protection would be extended to all scheme Members.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

30. REGISTER OF BREACHES OF LAW

The report of the Director, West Yorkshire Pension Fund, (**Document “V”**) informed Members that, in accordance with the Public Service Pensions Act 2013, from April 2015, all Public Service Pension Schemes now come under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to The Pensions Regulator as soon as it is reasonably practicable where that person had reasonable cause to believe that:

- (a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) The failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

A register of any breaches of the Pensions Code of Practice was maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2019/20 was appended to Document “V”.

Members were advised that the entries on the Register of Breaches for 2019/20 related to either the late payment of employees' pension contributions by employers, or non-issue of Annual Benefit Statements by the 31 August 2019 to a small number of active members.

A member raised concerns about an employer which had made late payments over a four month period and he was assured that any late payments of contributions would not affect Members' benefits. It was explained that the fund worked with employers to resolve any issues they faced and if necessary fines were imposed.

Resolved –

That the report and entries on the Register of Breaches of Law be noted.

ACTION: Director, West Yorkshire Pension Fund

31. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY

2020/21

The Director, West Yorkshire Pension Fund presented **Document “W”** which advised Members that, to comply with the Local Government Pension Scheme (LGPS) Regulations 2013 WYPF prepare a written statement of the authority’s policies in relation to such matters as it considers appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF were expected to achieve.

The Pensions Administration Strategy and Communications Policy were appended to Document “W” with tracked changes highlighted.

Members were reminded that the documents were brought before JAG each year to review and approve, particularly if there were any new regulations and revisions to working practices. It was reported that there were no changes to the Pensions Administration Strategy. The Communications Policy had been updated to reflect activities planned for 2020-21 including increased electronic communications.

Resolved –

That the Pension Administration Strategy and the Communications Policy 2020/21 be approved.

ACTION: Director, West Yorkshire Pension Fund

**32. THE PENSIONS REGULATOR - GOVERNANCE AND ADMINISTRATION
'DEEP DIVE' ENGAGEMENT REPORT**

The report of the Director, West Yorkshire Pension Fund, (**Document “X”**) introduced the Pension’s Regulator’s Governance and Administration Risks in Public Service Pension Schemes Engagement Report, a deep dive into the administration and governance of 10 LGPS funds.

The report revealed that in the Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds. That action was as a result of TPR identifying a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this.

The engagement took place between October 2018 and July 2019, following the results of TPR's annual governance and administration survey, in which it was identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. TPR carried out the review at a high level, based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of fund documentation and examples of communications sent to members, prospective members and beneficiaries.

Members were advised that this was not a comprehensive evaluation of the funds’ operations and was not intended to replace audit requirements, nor was it to be considered as regulatory assurance or an endorsement of the fund by TPR.

The Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report was appended to Document “X” together with key recommendations taken from the Hymans Robertson 60 Second Summary.

The key recommendations reported included a number of measures to be taken and issues to be overseen by the Pension Board. A Member questioned if the Pension Board enhanced the efficiency of the Fund. In response it was explained that the establishment of a Pension Board had been a requirement of the Public Pension Act. The Board scrutinised the Joint Advisory Group but did not have decision making status. Members were assured that it did query and question the decisions of the Joint Advisory Group and that Members had been invited to attend the Joint Advisory Group as observers. Pension Board Members were legally required to carry out training to undertake their roles and it was challenged why that was not the case for Members of the Joint Advisory Group.

A Member reported that Leeds City Council was Public Services Network (PSN) certified and it was confirmed that Bradford Metropolitan District Council also had that status. A recent potential cyber attack was discussed and Members were advised that systems were not penetrated.

Resolved –

That the Pension Regulator’s findings, contained in Document X be noted.

ACTION: Director, West Yorkshire Pension Fund

33. TRAINING CONFERENCES AND SEMINARS

The report of the Director, West Yorkshire Pension Fund, (**Document “Y”**) reminded Members that the training of Joint Advisory Group Members to understand their responsibilities and the issues they were dealing with was a very high priority. Details of training courses, conferences and seminars were provided. Members were advised of the benefits they would gain from their attendance and assured that WYPF would meet all costs.

A Member referred to her second attendance at the Fundamentals training and all Members were encouraged to attend that event.

No resolution was passed on this item.

34. EXCLUSION OF THE PUBLIC - CIPFA BENCHMARKING CLUB

Resolved –

That the public be excluded from the meeting during consideration of Document “Z” containing Not for Publication Appendix 2 (CIPFA Benchmarking Club) because information would be disclosed which was considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as

amended).

It was considered that, in all the circumstances, the public interest in maintaining this exemption outweighed the public interest in disclosing the information as it was in the overriding interest of proper administration that Members were made aware of the financial implications of any decision without prejudicing the financial position of the West Yorkshire Pension Fund.

35. CIPFA BENCHMARKING CLUB

The Director, West Yorkshire Pension Fund (WYPF), presented **Document “Z” which contained Not for Publication Appendix 2**, which reported that WYPF had taken part in the CIPFA Benchmarking Club for Pensions Administration.

The report provided information about the costs of WYPF’s pensions administration service and compared those costs with other Local Government Pension Schemes funds who were part of the CIPFA Benchmarking Club and that was the reason for the restrictions to the publication of the appendix to the report.

Document “Z” concluded that WYPF’s unit costs were one of the lowest across all pension funds. Member surveys revealed good levels of satisfaction from different categories of members. The Fund continued to win awards over the years for quality of service and best administration. Overall the administration service was considered effective and low cost, however, the Fund would continue to seek efficiencies and savings to squeeze costs further.

The levels of experience and qualifications revealed in the report was commended and favourable comparisons between the level of staff turnover and costs of the Fund were welcomed. In relation to levels of pay revealed in the report it was requested that a progress report on the WYPF Revised Budgets 2018/19, discussed at the meeting on 1 November 2018, be provided.

Resolved –

- 1. That the report be noted.**
- 2. That the Director, West Yorkshire Pension Fund, be asked to provide a progress report on the request to undertake detailed work to implement the recommendation contained in Paragraph 4.1 of Not for Publication Document “O” (2018/19) made at the meeting on 1 November 2018.**

ACTION: Director, West Yorkshire Pension Fund

36. EXCLUSION OF THE PUBLIC - NORTHERN LGPS (NLGPS)

Resolved –

That the public be excluded from the meeting during consideration of Document “AA” containing Not for Publication Appendices 1 & 2, relating to the Northern Pool, because information would be disclosed which was considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

It was considered that, in all the circumstances, the public interest in maintaining the exemption outweighed the public interest in disclosing the information as it was in the overriding interest of proper administration that Members were made aware of the financial implications of any decision without prejudicing the financial position of the West Yorkshire Pension Fund

37. NORTHERN LGPS

The report of the Director, West Yorkshire Pension Fund, (**Document “AA”**) set out progress in establishing the Northern LGPS (formerly the Northern Pool), covering:-

- Drafting the Northern LGPS Operating Agreement, including the Terms of Reference for the Joint Committee
- Procuring a joint custodian for all the assets of NLGPS
- Developing the GLIL infrastructure vehicle (including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure investment)
- Developing a joint private equity vehicle.

Resolved –

That progress to date, contained in Document “AA” be noted.

ACTION: Director, West Yorkshire Pension Fund

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the West Yorkshire Pension Fund Joint Advisory Group.

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER

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