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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 23 September 2021 at 10.30 am in Ernest Saville Room - City Hall, Bradford

Members of the Committee – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Tait **Thornton** **Godwin**	**Pollard**	**Reid**

Alternates:

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT AND INDEPENDENT GROUP
M Slater **Azam** **T Hussain**	**Felstead**	**J Sunderland**

Notes:

- This agenda can be made available in Braille, large print or tape format on request by contacting the Agenda contact shown below.
- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of the agenda item.
- Given the restrictions on room capacity, any Councillors and members of the public who wish to make a contribution at the meeting are asked to email fatima.butt@bradford.gov.uk by 10.30 on Tuesday 21 September 2021 and request to do so. You will then be advised on how you can participate in the meeting. Access to the meeting cannot be guaranteed if those wishing to attend do not register given the Council must comply with the Covid regulations and guidance in place at the time.

On the day of the meeting you are encouraged to wear a suitable face covering (unless you are medically exempt) and adhere to social distancing. Staff will be at hand to advise accordingly.

From:
Parveen Akhtar
City Solicitor
Agenda Contact: Fatima Butt
Phone: 01274 432227
E-Mail: fatima.butt@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. MINUTES

Recommended –

That the minutes of the meeting held on 22 July 2021 be signed as a correct record (previously circulated).

(Fatima Butt – 01274 432227)

4. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

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

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

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

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

(Fatima Butt - 01274 432227)

B. BUSINESS ITEMS

5. CORPORATE INVESTIGATION UNIT - ANNUAL PERFORMANCE INFORMATION 1 - 14

The work of the Corporate Investigation Unit underpins the Council's commitment to a zero tolerance approach to fraud, theft, corruption (including bribery), or any other financial irregularity committed against the Council.

The Director of Finance and IT will submit **Document "I"** which presents the annual performance information, as required by the Committee and provides assurance that the Council's counter fraud arrangements are effective.

Recommended-

That the Committee notes the extensive activities carried out by Corporate Investigation Unit to prevent, detect and deter the Council from instances of fraud, theft, corruption or any other financial irregularity as detailed in Document "I".

(Harry Singh – 01274 437256)

6. WEST YORKSHIRE PENSION FUND (WYPF) AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2021 15 - 234

The Director of West Yorkshire Pension Fund will submit **Document "J"** which presents the West Yorkshire Pension Fund Audited Report and Accounts for 31 March 2021 and provides a summary of West Yorkshire Pension Fund's financial position at the end of the year, and key financial activities during the year ended 31 March 2021. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs
- Latest Pensions Statement of Recommended Practice
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

Recommended –

That the West Yorkshire Pension Fund Audited Report and Accounts for the 2020/2021 (Document "J") be considered and approved.

(Ola Ajala – 01274 434534)

7. DRAFT AUDIT COMPLETION REPORT - WEST YORKSHIRE PENSION FUND TO YEAR ENDING 31 MARCH 2021 235 - 280

The External Auditor will submit **Document "K"** which reports on the Draft Audit Completion Report (ACR) for the West Yorkshire Pension Fund for the year ending 31 March 2021 which summaries the audit conclusions. However, the work is ongoing and if there are any changes these will be reported at the meeting.

Recommended –

That the report (Document "K") be noted.

(Cameron Waddell - 07813 752 053)

8. 2020-21 DRAFT STATEMENT OF ACCOUNTS 281 - 416

The Director of Finance and IT will submit **Document "L"** which presents the Council's 2020-21 draft statement of accounts. These accounts are subject to approval from external audit.

The report also briefly details the salient financial implications from the accounts. A further report on the accounts will be presented at the meeting of the Committee on the 21 October 2021. It is also anticipated that the final 2020-21 accounts will be presented on this date.

Recommended -

That the financial results from the 2020-21 Draft Statement of Accounts detailed in Document "L" be noted.

(Chris Chapman – 01274 433656)

9. THE CIPFA FINANCIAL MANAGEMENT CODE

417 - 428

CIPFA issued its Financial Management Code which aims to drive financial management improvements and consolidate good practice in local authorities in October 2019. The code will come fully into effect from 2021/22. Compliance with the Code will be the responsibility of not just the Director of Finance & IT but also the corporate leadership team and elected members (including the Governance and Audit Committee).

The Director of Finance and IT will submit **Document "M"** which highlights the requirements of the Financial Management Code, how the Council currently meets those requirements and further improvements or actions which may be implemented.

Recommended –

(1) That the contents of the CIPFA Financial Management Code be noted.

(2) That the self-assessment against the Code requirements be noted.

(3) That the further improvements and actions which will be made in order to demonstrate that the Council continues to satisfy the requirements of the Code, and strengthens assurance even further be agreed.

(Andrew Cross/Mark St Romaine – 01274 436823/01274 432888)

10. ANNUAL GOVERNANCE STATEMENT 2020-2021

The Director of Finance and IT will submit **Document "N"** which 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 2020-21 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 Annual Governance Statement 2020-2021 (Document "N"), on behalf of the Council, to accompany the Statement of Accounts 2020-2021.

(Mark St Romaine – 01274 432888)

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance & IT to the meeting of the Governance & Audit Committee to be held on 23rd September 2021

Subject: I

Corporate Investigations Unit – annual performance information

Summary statement:

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

Equality & Diversity:

This report concludes there are no equality and diversity implications which negates the need for an Equality Impact Assessment.

Chris Chapman
Director of Finance & IT

Portfolio:

Leader of the Council & Corporate

Report Contact: Tracey Banfield / Harry Singh
Phone: (01274) 434794/437256
E-mail: tracey.banfield@bradford.gov.uk
harry.singh@bradford.gov.uk

1. SUMMARY

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

2. BACKGROUND

In common with other public bodies the Council has a duty to protect the public purse and this report details the role of the Corporate Investigation Unit (CIU) in the prevention and detection of fraud.

The work of the CIU underpins the Council's commitment to a zero tolerance approach to fraud, theft, corruption (including bribery), or any other financial irregularity committed against the Council.

This report represents performance information for the financial year 1st April 2020 to 31st March 2021.

3. OTHER CONSIDERATIONS

The Council's Corporate Investigation Unit is responsible for the investigation of allegations of fraud, theft, corruption or any other allegations of a financial nature, perpetrated against the Council, whether by citizens of the district, Council employees or other third parties.

The CIU comprises of **7** staff who are, or training to be, accredited with a Counter Fraud Specialist qualification and who ensure that all investigations carried out are in accordance with the relevant legislation and, where evidence of fraud, theft, corruption or any other financial irregularity is found, that the appropriate sanction is applied, in accordance with the Council's Sanctions Policy which has been previously approved by this Committee.

3.1 Response to the global pandemic

Due to the global pandemic, the financial year 2020/21 has been different from other years in that, the Government announced in March 2020 the intention to provide financial support for small businesses under a variety of funding schemes. During the reporting period, the CIU have received referrals in relation to the following four grant schemes; -

1. Small Business
2. Retail, Hospitality & Leisure
3. Discretionary
4. Local Restrictions Support

Every local authority nationally was required to distribute grants promptly to any business that met the eligibility criteria, set out by Government, ensuring that any deliberate manipulation and/or fraud, would be subject to claw back.

A digital assurance tool, namely Spotlight, was provided to the local authorities to assist with the checking of eligibility to the grants. The qualifying criteria for the four grant schemes is shown at **Appendix 1**.

The Revenues, Benefits and Payroll Service was designated to make payments on behalf of the Council for grant schemes 1, 2 and 3 returning any unspent funding once a full post event assurance process had been undertaken. The Economy and Development Service were designated to make payments on behalf of the Council for the discretionary scheme.

Table 1 below demonstrates the number and amount of grant distributed for Schemes 1-4, by the Council, during the financial year 2020/21.

Scheme	**No. of grants paid**	**Amount**
1&2 Small Business and Retail, Hospitality & Leisure	10,984	£124,743,394
3 Discretionary	1,018	£6,986,984
4 Local Restrictions Grant	16,488	£30,819,417
TOTAL	**28,490**	**£162,549,795**

During the national pandemic the work of the CIU was dependent on the restrictions in place, and during much of the year these restrictions limited the CIU's ability to undertake face to face interviews, interview witnesses and carry out Blue Badge misuse "action days".

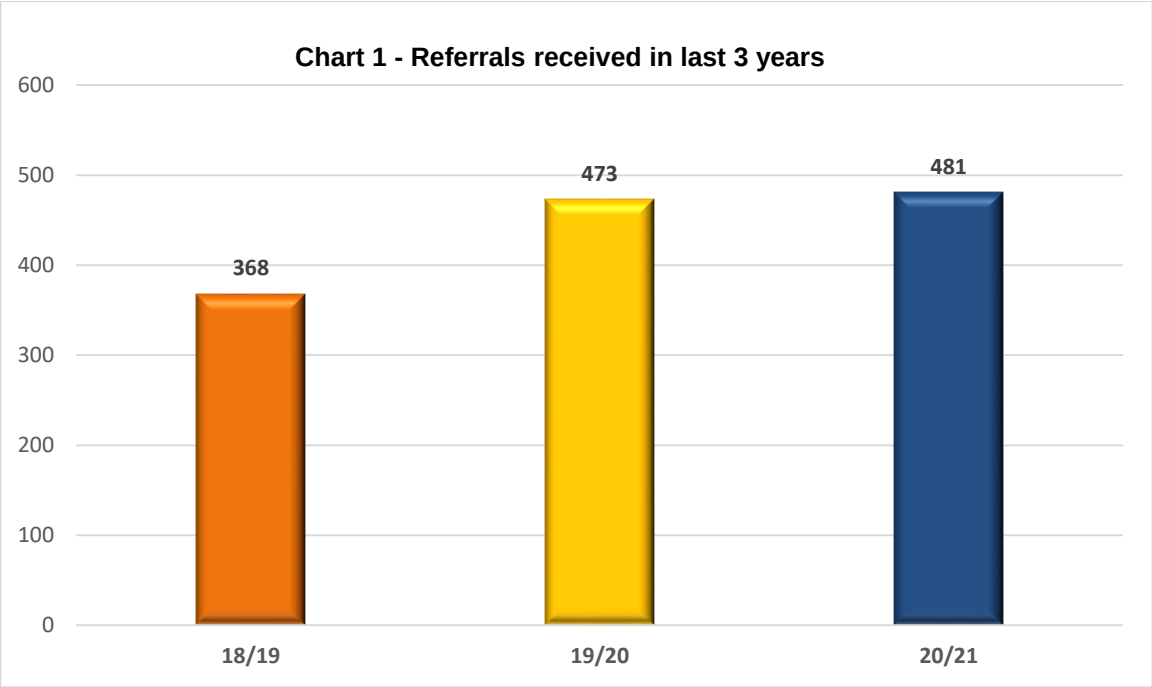
This resulted in the CIU having some capacity to check the eligibility of businesses for each of the 4 schemes, by conducting desktop enquiries and drive by visits to potential dispute cases and to share local knowledge and previous fraud experience of named businesses.

3.2 Referrals to the CIU for investigation

Chart 1 below shows the number of referrals received in the last 3 years. Of the **481** referrals made to the CIU in 2020/21, **201** were directly in relation to the COVID-19 grant schemes.

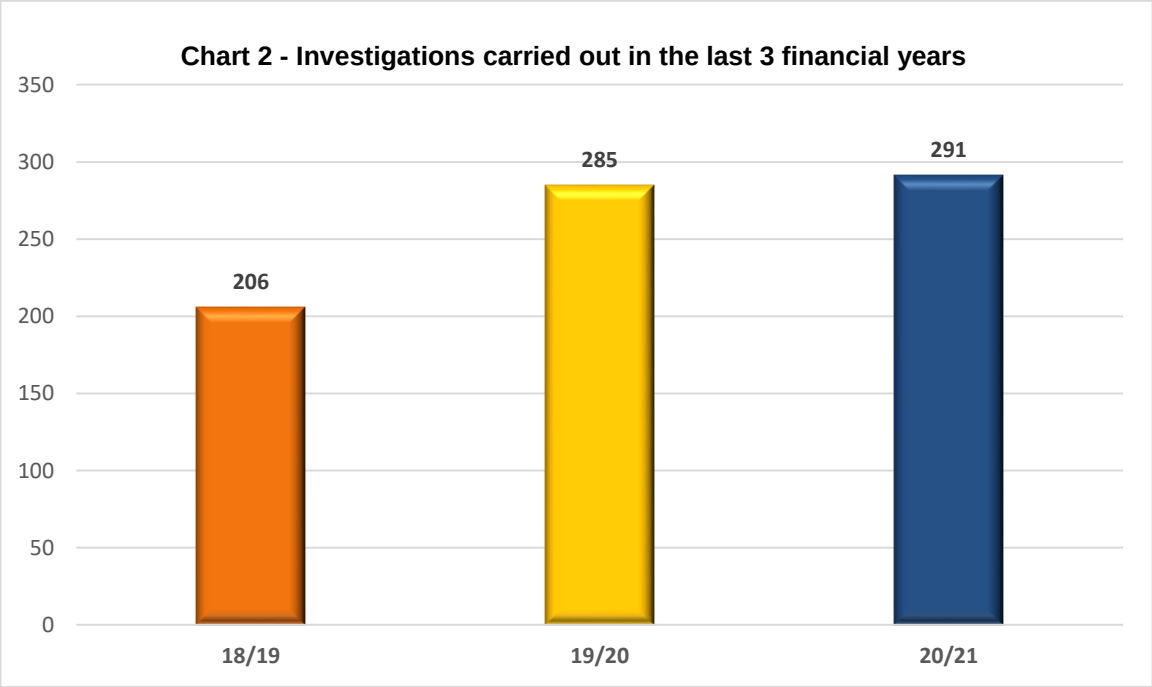
Where it was suspected that a fraud against the grant schemes was organised, large scale, systematic or crossed local authority boundaries then the Government Department for Business, Energy & Industrial Strategy (BEIS), advised local authorities that these referrals would be investigated by the Governments National Intelligence Service (NATIS).

During the financial year ending 31st March 2021 the Council made **1** referral to NATIS.



3.3 Investigation

Chart 2 below demonstrates that the CIU concluded **291** investigations in the financial year ending 31st March 2021 with **151** concluded investigations relating to the COVID 19 grant schemes. The remaining concluded investigations, some of which were raised prior to the global pandemic, largely followed the national pattern of tackling issues in relation to 4 main types of fraud (by volume); Council Tax, Disabled Parking (Blue Badge), Social Housing Tenancy Fraud and Business Rates.



3.3.1 Summary of investigation outcomes

A concluded investigation will normally result in one of two outcomes – either evidence has or has not been found to support a finding of fraud, theft, corruption and /or other financial irregularity.

Chart 3 below shows that of the **291** investigations concluded in the financial year ending 31st March 2021, fraud, theft or other financial irregularity was found in **80%** (234) of the concluded investigations.

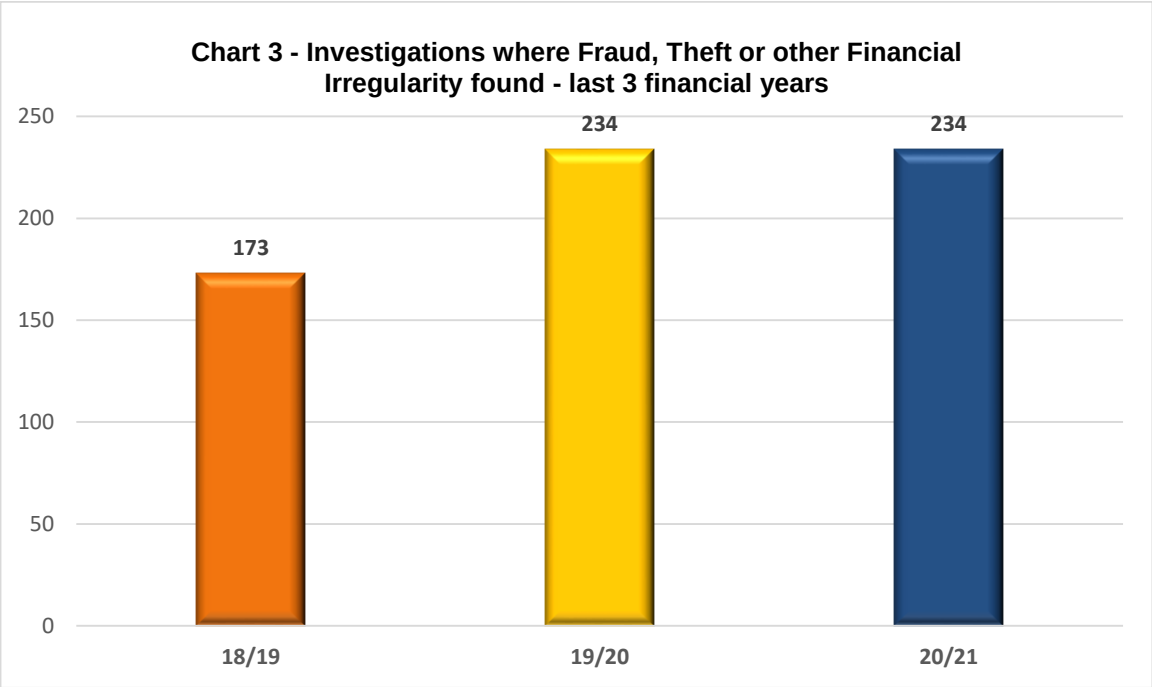


Table 2 below demonstrates the outcomes from concluded investigations (151) into the COVID 19 grant schemes.

Scheme	Correctly paid	Payment Prevented (Amount £)	Recovered in full or invoiced (Amount £)
Small Business	40	16 (£160,000)	79 (£800,000)*
Retail, Hospitality & Leisure	1	0	9 (£225,000)
Discretionary	0	2 (£9,000)	1 (£2,500)
Local Restrictions Support Grant	0	3 (£4,668)	0
TOTAL	**41**	**21(£173,668)**	**89(£1,027,500)**

*One business paid twice in error so recovering £20k

Where evidence has been found to support a finding of fraud, theft, corruption and /or other financial irregularity then, in accordance with the Committee approved Council's Sanctions policy, the appropriate sanction will normally be applied and attempts made to recover any financial loss.

Chart 4 below shows that in the financial year ending 31st March 2021 **71** concluded investigations resulted in a prosecution (9) or another sanction (62). The low number of prosecutions and sanctions was inevitable given that, due to the pandemic, the ability to interview under caution or put cases before the Courts was severely restricted.

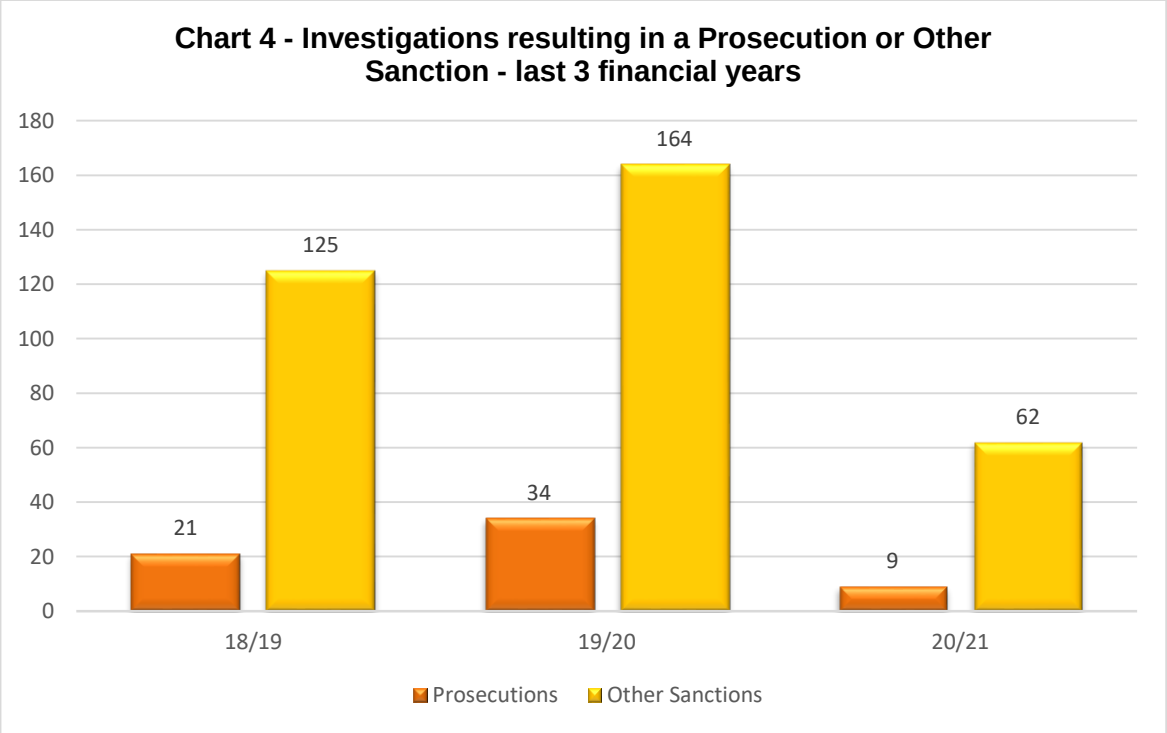
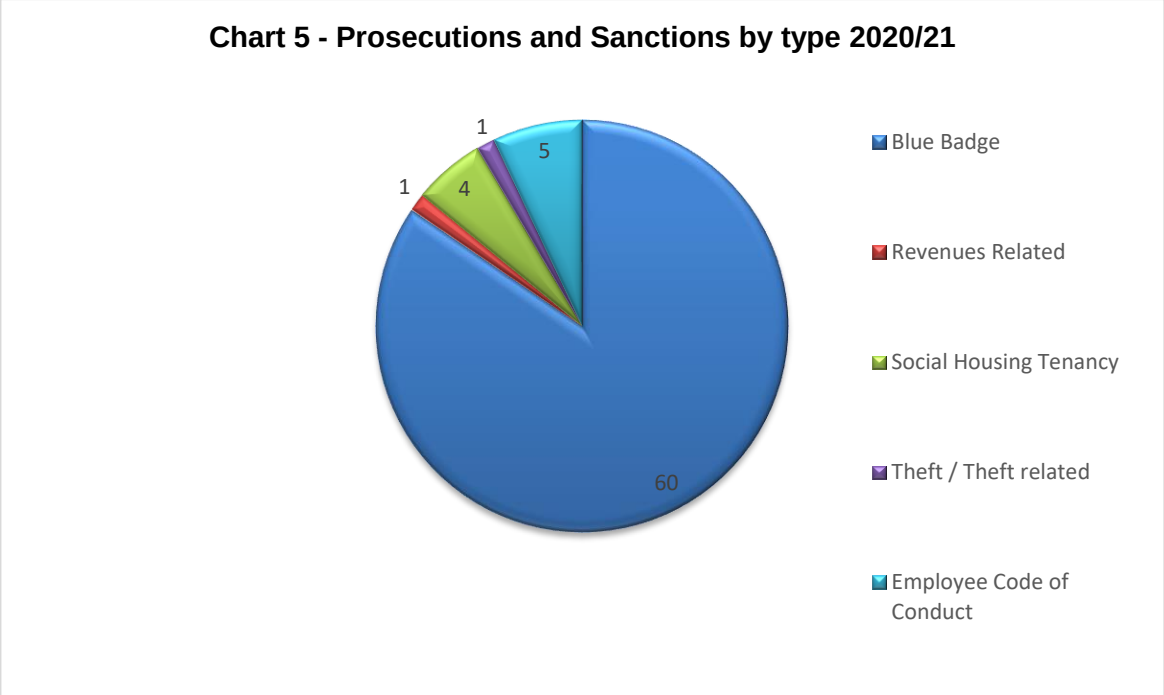


Chart 5 below shows the prosecutions and sanctions by type for the financial year ending 31st March 2021.

Of the **71** concluded investigations, where a prosecution or sanction resulted, none were in relation to the 3 COVID 19 grant schemes.

The necessity to distribute the COVID 19 grant scheme payments, to support local businesses, was unprecedented and following the receipt of the funding Government guidance was to ensure that this was distributed at speed by Council's. This inevitably resulted in some payments being distributed without a robust application and declaration process which prevented any further enforcement action by the CIU, other than the recovery of any loss, details of which are shown in Table 2 above and Table 3 (Section 4 "Finance & Resource Appraisal").



3.4 Working in partnership

3.4.1 Internal partners

- **Neighbourhood and Customer Services**
  Despite the restrictions brought about by the global pandemic, the CIU have continued to work with Parking Services Officers on Disabled Persons Blue Badge "action days", to ensure that badges were being used correctly and not persistently misused.

  5 "action days" have taken place in the financial year where up to **225** displayed badges were examined and verified. From these action days **6** CIU investigations into misuse/abuse were instigated, which to date have resulted in **3** Formal Cautions, **1** warning Letter and **1** awaiting a court date.

- **The Council's Legal Services team** - a key partner in the Council's counter fraud approach providing specialist advice, support and services to the CIU, ensuring compliance with all relevant legislation pertaining to the prevention, detection and investigation of fraud, corruption and theft (for example the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996, Regulation of Investigatory Powers Act 2000, Data Protection Act 2018 the General Data Protection Regulations, Proceeds of Crime Act 2002 and Fraud Act 2006)

3.4.2 External partners

- **The Department for Work and Pensions (Counter Fraud, Compliance & Debt Service)** – The CIU works with the DWP to jointly combat fraud in Housing Benefit and Bradford Council's Council Tax Reduction scheme (CTR).

In 2020/21, **3** cases were investigated jointly, resulting in **1** "alternative to prosecution" sanction and **1** joint prosecution being concluded to date. There are a further **5** legacy cases where prosecution action has been agreed and the cases are awaiting a court hearing date.

- **West Yorkshire Joint Services on Financial Investigation (POCA) cases -** Financial investigation is an investigative discipline concerned with forensically analysing the finances that relate to criminal activity. It is an important tool for the disruption of serious and organised crime. The Proceeds of Crime Act 2002 (POCA) is the primary legislation used in financial Investigation and was created with the aim of removing assets from criminals, recovering the proceeds of crime and deterring and disrupting criminality. It confers a range of investigative powers as well as powers to restrain and confiscate criminal assets, via criminal confiscation, civil recovery, cash forfeiture and criminal taxation.

  Where an investigation into fraud, corruption, theft or other financial irregularity is considered to be likely to result in a conviction, the CIU will refer all suitable cases to West Yorkshire Joint Services for financial investigation (normally, but not limited to, those cases where the estimated loss is £5,000 or more) with a view to recovering monies, or property, obtained as a result of criminal activity or criminal lifestyle.

  During 2020/21, **3** ongoing POCA cases were concluded by the West Yorkshire Joint Services aggregating **£519,537** in repayments to the Council, in lieu of Court Orders.

  Additionally, the West Yorkshire Joint Services referred **5** COVID 19 business grant investigations where Banks had raised concerns and following enquiries with the Banks, the CIU have **8** current investigations which should be finalised during the 2021/22 financial year and outcomes reported to the next annual Committee.

- **Registered Social Landlords** - To protect valuable housing stock the CIU has developed professional relationships with a number of Bradford's registered social landlords where the CIU provide specialist investigative resource in relation to allegations of tenancy fraud including subletting, succession or any other forms of tenancy breaches.

  In 2020/21, **19** cases of tenancy related frauds were investigated from the ongoing cases initiated prior to the pandemic and **4** properties have been recovered and returned for rightful occupation.

3.5 Fraud awareness for Council employees

The CIU is responsible for leading on any preventative work including fraud awareness training for all Council employees, a mandatory e-learning delivered as part of the induction for new employees and bi-annually for existing employees.

A review of the e-learning package is currently in progress and it is anticipated that this will be redesigned during the financial year 2021/22.

The Council's internal and external website pages provide additional information on how to report suspicions of fraud and this remains a frequently preferred option for notification of alleged frauds, however, once again these pages are due to be reviewed and updated

accordingly.

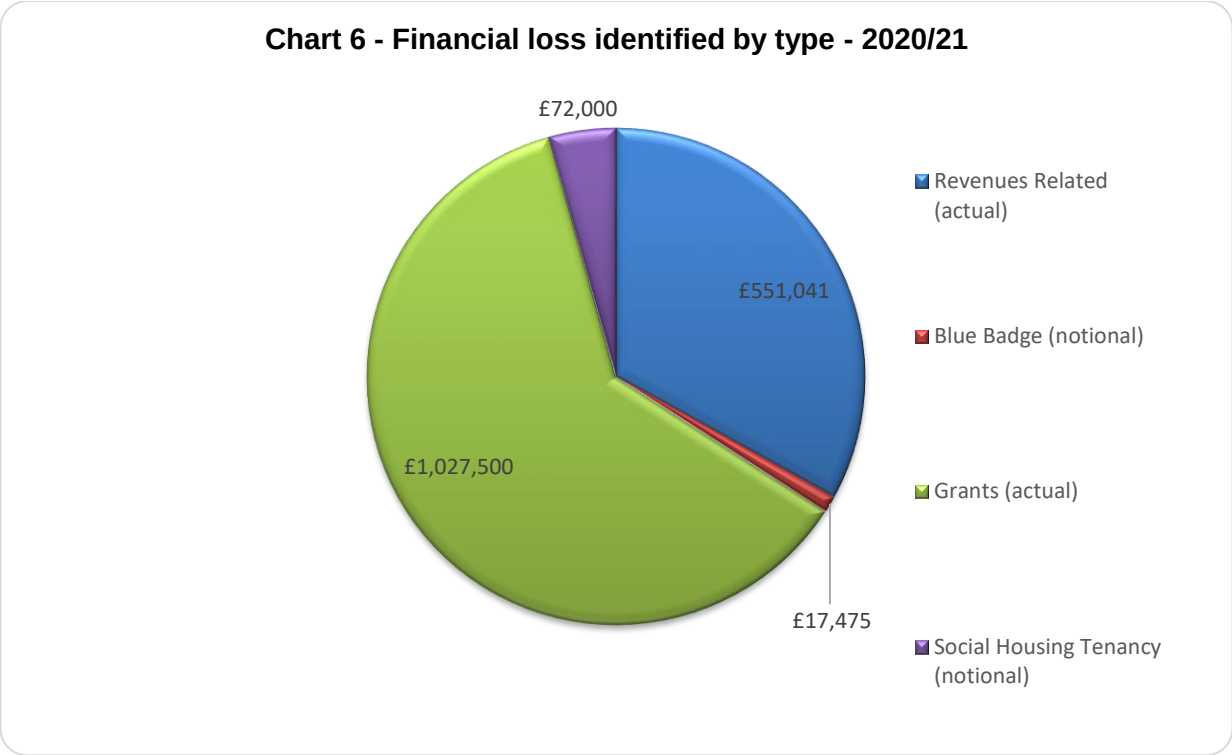
4. FINANCIAL & RESOURCE APPRAISAL

During 2020/21, the value of fraud prevented and detected by the CIU amounted to in excess of **£1.66m**, which includes cases in relation to COVID-19 grant schemes in excess of **£1m**. Although this figure of **£1m** is of concern, it should be noted in context of the amount that was paid out in COVID related grant schemes of **£162m**, signifying the loss identified is below the Government's estimated level of fraud and error of **1%**.

Of the total **£1.66m** fraud prevented and detected **£1.57m** was actual recoverable financial loss and the remaining a notional loss* (£89,475) from recovering properties subject to tenancy fraud and preventing the misuse and abuse of Disabled Persons Parking (Blue Badge).

*National Fraud Authority notional loss £18,000 per annum per property relating to Social Housing Tenancy Fraud and National Fraud Authority notional loss £699 relating to Disabled Persons Parking Misuse

Chart 6 below demonstrates the financial loss identified by type in 2020/21



In relation to COVID 19 grant funding, **£1,027,500** was deemed recoverable loss in the year ending 31st March 2021, of which **£532,500*** has been recovered.
**at the time of writing this report*

Table 3 below shows a breakdown of the payments recovered in full; -

Scheme	**No. of Payments recovered in full**	**Amount £ recovered**
Small Business	38	£380,000
Retail, Hospitality & Leisure	6	£150,000
Discretionary	1	£2,500
TOTAL	**45**	**£532,500**

44 additional cases, where recovery of grant scheme funding remains outstanding, are being collected, by debtors' invoice, by the Revenues, Benefits & Payroll Service debt collection team. The guidance from BEIS confirms that local authorities will be reimbursed for any unrecovered amount where they can demonstrate that they have taken all reasonable and practicable steps to reclaim any grant payment but have been unsuccessful.

Additionally, in the financial year ending 31st March 2021 the Council received; -

- **£14,965** as part of the confiscation orders, awarded under the Proceeds of Crime Act, relating to a financial investigation previously carried out by the CIU and West Yorkshire Joint Services.
- **£33,168*** as reimbursement of the Council's investigation and/or legal costs. These are awarded by the Courts in prosecution cases.
  **includes a payment of £31,005 for legal costs awarded for a POCA case*.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no significant risks arising.

6. LEGAL APPRAISAL

There are no legal issues arising from the contents of this Report.

In addition to its specific enforcement powers under numerous statutory provisions the Council has a general power under section 222 Local Government Act 1972 to bring legal proceedings before the Court where the "Local Authority considers it expedient for the promotion or protection of the interests of the inhabitants of their area.

Prosecution proceedings will only be issued after having due regard to the Code for Crown Prosecutors and the Council's Sanctions policy. As such prosecution proceedings will only be issued where there is sufficient and admissible evidence to provide a realistic prospect of conviction and where the prosecution is in the public interest.

The Code requires the decision to prosecute to be kept under continuous review, so that any new facts or circumstances, in support of or undermining the Council's case, are taken into

account in the Council's decision to continue or terminate the proceedings.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

There are no sustainability implications

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.3 COMMUNITY SAFETY IMPLICATIONS

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

7.4 HUMAN RIGHTS ACT

The Council's current counter fraud approach complies with the Human Rights Act, in particular in relation to surveillance and the right to privacy. All surveillance operations are required to be formally approved in compliance with the Regulation of Investigatory Powers Act 2000 and Council protocols. However, there were no surveillance applications requested during 2020/21.

7.5 TRADE UNION

There are no trade union issues arising from the contents of this Report.

7.6 WARD IMPLICATIONS

Counter fraud information is available by ward area, excluding employee investigations, if required.

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

N/A

7.8 IMPLICATIONS FOR CORPORATE PARENTING

N/A

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

That the Committee notes the extensive activities carried out by CIU to prevent, detect and deter the Council from instances of fraud, theft, corruption or any other financial irregularity.

11. APPENDICES

Appendix 1 - Qualifying Criteria for the COVID-19 grant funding schemes

12. BACKGROUND DOCUMENTS

None

Appendix 1

The qualifying criteria for Small Business Grants/Retail Hospitality & Leisure grants:

- Properties on the Valuation Office Agency (VOA) ratings list on 11/3/2020
- Business liable AND occupying those properties in receipt of Small Business Relief (SBR) or Retail Hospitality & Leisure (RHL) reliefs
- SBR businesses get £10,000
- RHL businesses with a Rateable Value (RV) of 15000 or below get £10,000.
- RHL business with a Rateable Value between 15,001 and 50,999 get £25,000
- Rateable Values of 51,000 and above do not qualify
- Businesses struck off, insolvent, in administration etc. do not qualify
- Businesses exceeding the State Aid limits do not qualify

The qualifying criteria for the Discretionary Scheme grants:

- Be a small or micro business
    - Have fewer than 50 full time equivalent (FTEs) employees, including the owner(s); and either:
    - Have a turnover of not more than £10.2 million in a year, or
    - Have a balance sheet total of not more than £5.1million
- Be an active business
  The business must:
    - be trading on 11 March 2020
    - not be in liquidation, administration, insolvent or had a strike-off notice registered.
- Occupy property in the district

  Property, or part of a property, which is in use and with either
    - a rateable value below £51,000 or
    - annual rent or annual mortgage payments below £51,000.
      and
    - have a business premises based in the district which will not include their home (Other businesses which are operated solely from domestic premises are excluded from this scheme).
- Demonstrate Impact of COVID-19-19
    - Be able to evidence a significant of loss of income due to the COVID-19 crisis.
- Be able to evidence total monthly fixed property overheads
- Don't exceed state aid limits

The qualifying criteria for the Local Restrictions Support Grant Scheme (Open)

Businesses may be eligible if it:

- is based in England
- is in an area subject to Tier 2 or Tier 3 local restrictions since 1 August 2020 and has been severely impacted because of the local restrictions

- was established before the introduction of Tier 2 or Tier 3 restrictions
- has not had to close but has been impacted by local restrictions

The qualifying criteria for the Local Restrictions Support Grant Scheme (Closed)

- in an area of local Tier 2 or Tier 3 restrictions and has been required to close because of local restrictions that resulted in a first full day of closure on or after 9 September
- in an area of local Tier 4 restrictions and has been required to close because of local restrictions that resulted in a first full day of closure on or after 19 December

Businesses need to show that:

- is based in England
- occupies property on which it pays business rates
- has been required to close for at least 14 days because of the restrictions
- has been unable to provide its usual in-person customer service from its premises

For example, this could include pubs and restaurants that operate primarily as an in-person venue, but which have been forced to close those services and provide a takeaway-only service instead.

Eligible businesses can get one grant for each non-domestic property within the restriction area

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of Governance and Audit Committee to be held on 23 September 2020.

J

Subject:

West Yorkshire Pension Fund (WYPF) Audited Report and Accounts for 31 March 2021.

Summary statement:

This is the latest version of the report currently going through audit for West Yorkshire Pension Fund. The report provides the financial activities and financial performance for the year 2020/21 (attached as Appendix 1). The value of the Fund as at 31 March 2021 is £16.33 billion, a net increase of £3.11 billion, an increase of 23.5% from £13,21 billion as at 31 March 2020. The increase in value confirms that we have recovered the value wiped off our financial assets as a result of the financial impact of the Covid-19 pandemic. The pandemic remains and this makes the future more uncertain, however our performance in this uncertain time is reassuring.

The latest actuarial valuation update as at 31 March 2019 determined that WYPF funding level was 106%, an improvement of 12% from the 2016 valuation of 94%. The latest actuarial funding update for March 2021 shows funding level of 108.0% (2020 105.6%), this is good news for the fund, employers and members.

As a result of statutory changes to local authorities account deadlines for 2020/21 and 2021/22 financial year, Bradford Council's 2020/21 audited accounts have to be published by 30 September 2021. A version of the WYPF accounts are included within Bradford Council's accounts.

The deadline for publication of WYPF's accounts is 1 December 2021. Our work on the accounts is impacted by Covid-19 and home working arrangements, however we are confident that we will deliver WYPF final audited accounts by the deadline of 1 December 2021.

Rodney Barton
Director WYPF
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Financial Controller WYPF
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1 SUMMARY

1.1 In order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes, WYPF must prepare an annual audited Report and Accounts. The 2020/21 Reports and Accounts was presented to the Joint Advisory Group and the Local Pension Board to note.

1.2 The Report and Accounts provide a summary of West Yorkshire Pension Fund's financial position at the end of the year, and key financial activities during the year ended 31 March 2021. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs
- Latest Pensions Statement of Recommended Practice
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

External Auditor work 2020/21

1.3 Bradford external auditor Mazars LLP are still carrying out their audit work and will be updating the Committee on their progress.

2 BACKGROUND

Initial value of assets

2.1 The value of the Fund as at 31 March 2021 is £16.33 billion, a net increase of £3.11 billion (23.54%) from 31 March 2020. The table below list assets values for the last ten years including 2020/21:

Year to 31 March	Net Asset £billion	Increase (Decrease) £billion	Increase (Decrease)
2021	16.33	3.11	23.54%
2020	13.21	-1.15	-8.01%
2019	14.36	0.8	5.90%
2018	13.57	-0.07	-0.51%
2017	13.63	2.42	21.59%
2016	11.21	-0.11	-0.97%
2015	11.32	0.95	9.16%
2014	10.37	0.43	4.33%
2013	9.94	1.16	13.21%
2012	8.78	0.13	1.55%

Change in net assets during the year

2.2 The increase in net assets of £3.11 billion between 31 March 2020 and 31 March 2021 is mainly due to the positive turnaround of financial markets after the immediate financial impact of the Covid-19 pandemic.

Return on investment

2.3 The total return on investment in 2020/21 is £3.19 billion (2019/20 -£1.04 billion). This is made up of £2.83 billion (2019/20 - £1.50 billion) gains in market value and net investment income of £0.36 billion (2019/20 £0.46 billion) from dividends, interest, and stock lending commission, less taxes on income.

Net cashflow

2.4 WYPF continues to have a positive net cashflow, in 2020/21 net cash was £0.30 billion (2019/20 £0.37 billion).

Investment performance

2.5 In 2020/21 we recovered the losses of 2019/20 and investment performance in 2020/21 is 23.4%. This is 2.1% above our benchmark. The long term track record is also positive, as shown in the table below, and over five and ten years WYPF's performance outperformed the benchmark by more than 0.5% per annum. Investment returns against benchmark are as follows:

31-Mar-21	Annualised Return %	Fund Specific Benchmark %	Over /(Under) %
One Year	23.2	21.1	2.1
Three Years	6.8	6.2	0.6
Five Years	9.2	8.2	1.0
Ten Years	7.7	7.2	0.5

Membership numbers

2.6 Our membership increased from 294,447 in 31 March 2020 to 298,307 in 31 March 2021, an increase of 1.3%.

Number of employers

2.7 The number of employers as at 31 March 2021 was 423, at 31 March 2020 it was 451, a net reduction of 28, is the result of employers leaving due to contractual changes and academy mergers.

Key performance indicators

2.8 The table below shows our 2020/21 performance in 20 key work areas, this performance reflects the commitment of officers and managers in delivering services to all our clients.

	Work type	Total cases 2020/21	Target days 2020/21	Target cases met 2020/21	KPI target 2020/21 %	Actual KPI 2020/21 %	Actual KPI 2019/20 %
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,899,096	Paid on due days	1,899,096	100	100.00	100.00
2	Change of address	3,844	10	3,682	85	95.79	94.70
3	Change to bank details	1,313	10	1,241	85	94.52	87.30
4	Death grant nomination	9,134	20	9,113	85	99.77	99.40
5	Death grant payments	2,980	5	2,773	85	93.05	96.90
6	Death in retirement	251	10	223	85	88.84	93.90
7	Deferred benefits	3,742	35	3,617	85	96.66	97.20
8	Deferred Benefits Into Payment Actual	3,209	5	2,832	90	88.25	80.80
9	Divorce quote	463	20	423	85	91.36	96.20
10	Life certificate received	148	10	119	85	80.41	96.70
11	Monthly posting	5,091	10	4,866	95	95.58	96.80
12	Payroll changes	1,990	10	1,965	85	98.74	87.30
13	Pension estimate	4,653	10	4,481	75	96.30	83.40
14	Refund payment	1,909	10	1,875	95	98.22	98.60
15	Refund quote	2,464	35	2,449	85	99.39	97.00
16	Retirement actual	3,157	3	2,927	90	92.71	92.90
17	Transfer out payment	217	35	195	85	89.86	92.20
18	Transfer-in payment	548	35	520	85	94.89	96.50
19	Transfer-in quote	801	35	798	85	99.63	99.70
20	Transfer-out quote	1,435	20	1,093	85	76.17	92.90

Cost performance

2020/21 WYPF Cost per member

2.9 The 2020/21 annual cost of administering the West Yorkshire Pension Fund per member is £13.42, investment management £17.19, oversight and governance £2.92, results in a total management cost per member of £33.53. These figures compare favourably with the average cost for authorities in the Ministry of Housing Communities & Local Government (MHCLG) – SF3 data collection results for the previous year shown in the table below.

Cost per member	West Yorkshire Pension Fund 2020/21 Financial Statement	Position 2019/20 Gov't data SF3	West Yorkshire Pension Fund 2019/20 Gov't data SF3	LGPS lowest 2019/20 Gov't data SF3	LGPS highest 2019/20 Gov't data SF3	Average LGPS 2019/20 Gov't data SF3
Admin cost per member	£13.42	7th	£16.23	£0.74	£118.78	£23.50
Investment cost per member	£17.19	1st	£22.83	£20.68	£774.27	£278.76
Oversight and governance	£2.92	5th	£2.88	£0.00	£52.64	£12.21
Total cost per member	**£33.53**	**1st**	**£41.94**			
Lowest / Highest / Average (not a sum of figures in the rows above)				***£41.94***	***£829.30***	**£245.41**

2019/20 Administration cost per member

2.10 From the latest data provided by government WYPF pension administration cost is the 7th lowest amongst LGPS fund in England & Wales for 2019/20, cost of £16.23 per member, the lowest cost is £ 0.74 and the highest is £118.78.

2019/20 Investment management cost per member

2.11 WYPF investment management cost is the second lowest cost per member in the latest result at £22.83, the lowest is £20.68 and the highest cost is £553.02. The reason for this low cost is because WYPF use directly employed staff to manage investments and a centralised office support for both investment management and pension administration.

2019/20 Oversight and governance cost per member

2.12 On oversight and governance, WYPF cost is the 5th lowest cost at £2.92. The lowest is £0 and the highest is £52.64.

2019/20 Total cost per member

2.13 WYPF has the lowest total cost per member (administration, investment and oversight & governance) at £41.94, the national average for LGPS in 2019/20 is £245.41 and the highest is £829.30.

3 OTHER CONSIDERATIONS

The financial accounts for Bradford will be approved by the Governance and Audit Committee later in 2021.

4 FINANCIAL & RESOURCE APPRAISAL

The Council is required by law to produce an audited annual financial report for WYPF within the Council's financial statements. The deadline for approving the Council's

2020/21 audited accounts is 30 September 2021. In addition, WYPF must publish a separate audited report and accounts by 1 December 2021, this report must be prepared in accordance with accounting standards and comply with statutory requirements.

5 RISK MANAGEMENT AND GOVERNANCE ISSUES

The WYPF report and accounts is a statutory financial document. It is a key element of financial risk management and governance, and provides evidence of risk management and governance processes in operation during the financial year.

6 LEGAL APPRAISAL

In order to meet statutory deadlines, the report and accounts have to be approved and signed by the Chair of Governance and Audit Committee on or before 30 September. There are no other legal issues.

7 OTHER IMPLICATIONS

None

8 RECOMMENDATION

- That the WYPF audited report and accounts for 2020/21 be considered and approved.

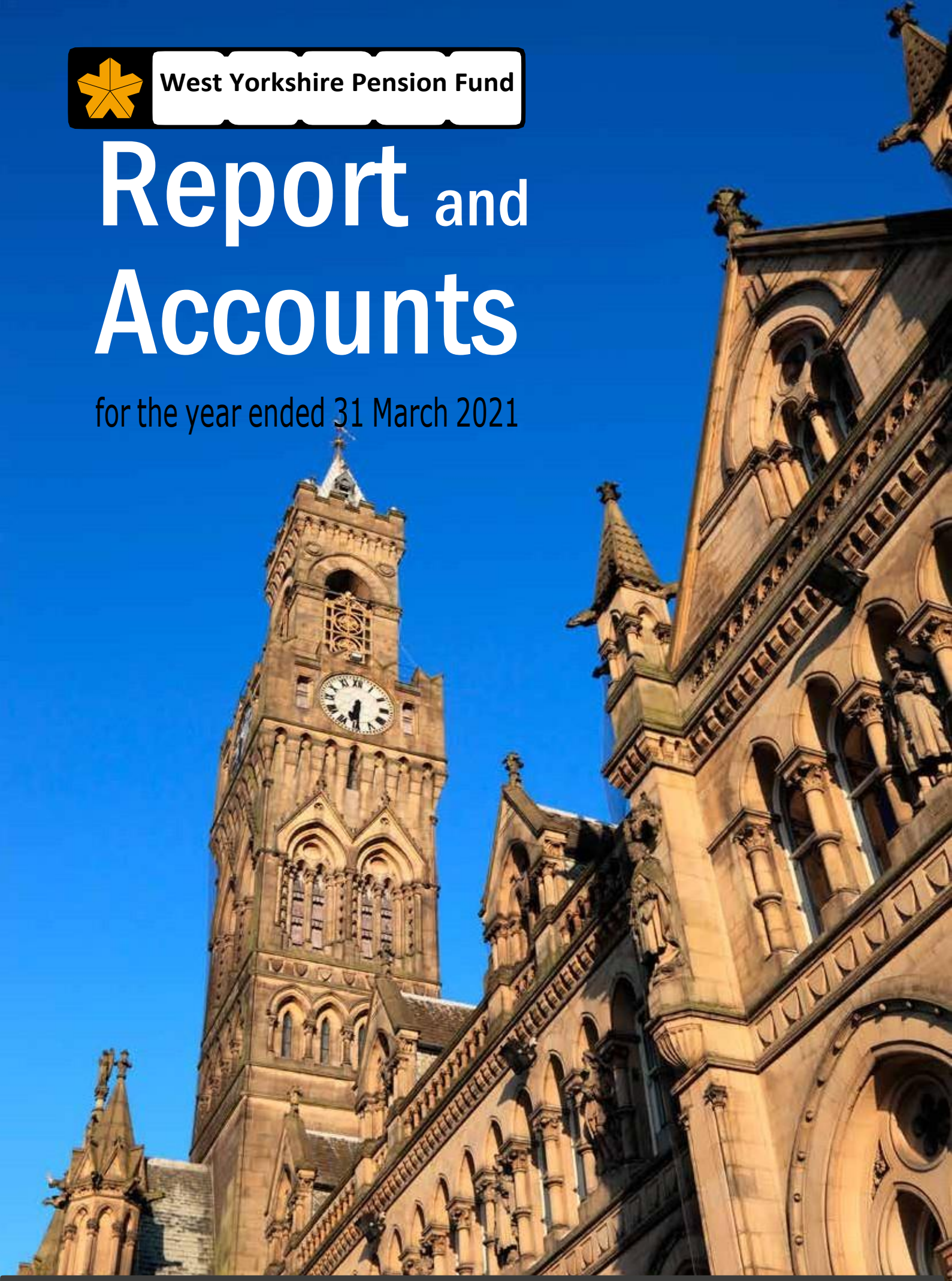
9 APPENDICES

Appendix 1 – WYPF Report and Accounts 2020/21.

West Yorkshire Pension Fund

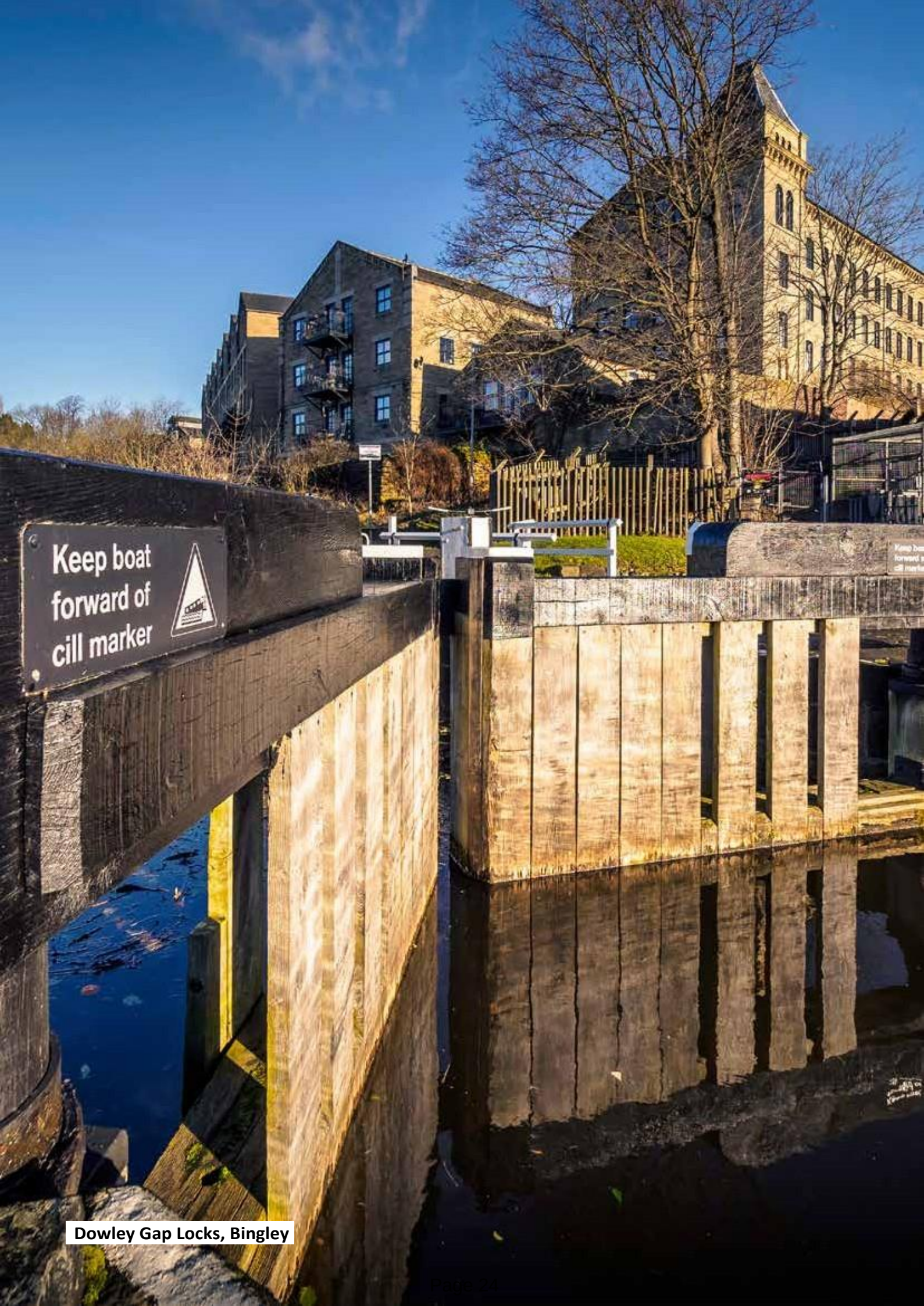
Report and Accounts

for the year ended 31 March 2021



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

Contents



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Section 1
Foreword

Foreword

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31 March 2021 we had nearly 300,000 members and 411 employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield. In total within our Shared Service administration arrangements we serve 470,000 members and 704 employers.

All aspects of our operations have felt the impact of the Covid-19 pandemic throughout the year, with staff having to work remotely and volatile investment markets.

The fall in investment values experienced in the last weeks of the previous financial year was followed by a strong bounce in the quarter to June, after which markets progressed, with some volatility, in line with the pandemic news flow. The net result was that the valuation rose by over 23% to £16.3 billion at the end of the March, leaving WYPF very well-funded.

The strategic asset allocation was reviewed during the period, which will result in changes to the portfolio over the next few years, with investment in infrastructure continuing, as well as increases in property and credit strategies, and reductions in equities and government bonds, all of which is designed to improve diversification within the portfolio. This will all be done in the context of our Environmental, Social and Governance policies, which have been considered in detail and further developed by the Investment Advisory Panel during the year.

Our collaborative engagements with companies on a range of issues through the Local Authority Pension Fund Forum (LAPFF) have met with increasing success this year, helped by the increasing number of asset managers taking a positive stance on a range of issues.

Our administration teams had to move to remote working due to the pandemic with little notice, but have continued to deliver the service to a very high standard throughout the year. Not only has the service been maintained, but they have also successfully taken on the administration of the London Borough of Barnet Pension Fund and a further three Fire and Rescue Authority pension funds in the year. An exceptional result, I am sure you will agree.

I would like to thank the administration and investment staff for their continued hard work and excellent performance in what has been a most challenging year, and the members of the Investment Advisory Panel, Joint Advisory Group and the Local Pension Board for their contribution. I hope you will find the Report and Accounts an interesting read.

Councillor Andrew Thornton

Chair

Joint Advisory Group and Investment Advisory Panel

Section 2
Management Structure

Members of the WYPF Joint Advisory Group

Bradford Council		
Councillor A Thornton **Chair**	Councillor G Winnard **Deputy Chair**	Councillor T Salam
Calderdale Council		
Councillor B Metcalfe	Councillor S Baines MBE	Councillor J Lynn
Kirklees Council		
Councillor G Asif Councillor E Firth (from Oct 2020)	Councillor R Murgatroyd	Councillor M Ahmed (to Oct 2020)
Leeds Council		
Councillor A Scopes	Councillor P Harrand	Councillor N Dawson
Wakefield Council		
Councillor L Shaw	Councillor J Speight	Councillor M Graham
Trade union representatives		
T Chard – GMB	L Bailey – UNISON	A Goring – UNISON
Scheme member representatives		
Mark Morris		
Representative from City of Bradford Metropolitan District Council		
C Chapman Director of Finance / s151 Officer - BMDC		

Members of the WYPF Investment Advisory Panel

Bradford Council		
Councillor A Thornton **Chair**	Councillor G Winnard	
Calderdale Council		
Councillor J Lynn	Councillor S Baines MBE	
Kirklees Council		
Councillor G Asif	Councillor M Ahmed (to Oct 2020)	Councillor E Firth (from Oct 2020)
Leeds Council		
Councillor A Scopes	Councillor P Harrand	
Wakefield Council		
Councillor J Speight	Councillor M Graham	
Trade union representatives		
T Chard – GMB	L Bailey – UNISON **Deputy Chair**	A Goring – UNISON
West Yorkshire Pension Fund		
R Barton – Director		
External advisers		
M Stevens	Marian George (from Oct 2020)	Philip Hebson (from Oct 2020)
Representative from the Finance Directors of the councils of West Yorkshire		
N Broadbent Head of Finance – Calderdale Council		
Scheme member representatives		
C Greaves	P Cole	

Members of the WYPF Local Pension Board

Employer representatives

Councillor S Lal - Bradford MDC **Chair**	Councillor D Jenkins - Leeds CC	Councillor K Johnson - Wakefield MDC
Ruth Manning - Northern School of Contemporary Dance		

Member representatives

G Nesbitt – GMB	C Sykes – UNISON	M Morris – Unite
M Binks – UNISON		

Appointed service providers and advisers

Actuarial services	Aon 1 Redcliff Street Bristol BS1 6NP	
AVC providers	Prudential Lancing BN15 8GB	Scottish Widows PO Box 902 15 Dalkeith Road Edinburgh EH16 5BU
	Utmost Life and Pensions Walton Street Aylesbury Bucks HP21 7QW	
Section 151 officer	Chris Chapman Director of Finance/S151 Officer City of Bradford Metropolitan District Council Britannia House Bradford BD1 1HX	
Auditors	Mazars LLP Gelderd Road Gildersome Leeds LS27 7JN	
Banking Services	HSBC 8 Canada Square Canary Wharf London E14 5HQ	

Appointed service providers and advisers

Custodial Services	Northern Trust One Canada Square Canary Wharf London E14 5AB
Legal Adviser	Parveen Akhtar City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
Pensions Computer Services	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD

Internal Dispute Resolution Adjudicators

Appointed Persons for Stage 1 Internal Dispute Resolution Procedure (IDRP)	Rodney Barton – Director, WYPF City of Bradford Metropolitan District Council WYPF Ground Floor Aldermanbury House 4 Godwin Street Bradford BD1 2ST
Appointed Persons for Stage 2 Internal Dispute Resolution Procedure (IDRP)	Kersten England Chief Executive City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
IDRP Medical Adviser	Santia Occupational Health Santia House Parc Nantgarw Cardiff CF15 7QX

Section 3
Local Pension Board Annual Report

Annual Report of the West Yorkshire Pension Fund Pension Board 2020/2021

Introduction

I am pleased to present the report of the local pension board for West Yorkshire Pension Fund (WYPF) for the year 2020/2021. The WYPF Pension Board was established as a result of the Public Sector Pensions Act 2013, which required all public sector pension schemes to set up a representative local pension board by 1 April 2015. The board operates independently from both the Joint Advisory Group and Investment Advisory Panel. The role of the pension board is to assist the administering authority in securing compliance with all regulations and legislation and to help ensure the effective, efficient governance and administration of the scheme.

Local pension boards have no executive powers. The board can scrutinise compliance with regulations and call WYPF officers or the WYPF Joint Advisory Group and Investment Advisory Panel to account, but we are not a decision-making body. The aim of the board is to focus our discussions on providing scrutiny of WYPF's decision-making process and provide input from the perspective of scheme members and employers.

Governance arrangements

The governance arrangements of the fund and relationship with the Scheme Manager (City of Bradford MDC), Local Pension Board, Joint Advisory Group and Investment Advisory Panel are detailed in the fund's Governance Compliance Statement which can be found on the funds website at:
https://www.wypf.org.uk/publications/policyhome/wypf-index/t:

Constitution and membership

Local pension boards must contain an equal number of employer and scheme member representatives. WYPF's pension board has been established with four employer and four member representatives.
The membership of the board has seen two new members joining during 2020. During the year Councillor Mitchell from Wakefield Council and Andy Jones from Unite have joined the board.
The membership of the board at the end of 2021 is listed below:

Employer representatives

- Councillor Shakeela Lal (Chair) – City of Bradford MDC
- Councillor D Jenkins – Leeds CC
- Councillor H Mitchell – Wakefield MDC
- Ruth Manning – Northern School of Contemporary Dance

Member representatives

- Andy Jones – Unite
- Mick Binks – Unison
- Colin Sykes – Unison
- Gary Nesbitt – GMB

Information about the board members and their contact details, are available on the WYPF website via the following link:
www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx

Meetings

During the year the board held four meetings:

- 23 June 2020
- 22 September 2020 (this meeting was postponed and reconvened on 15 December 2020)
- 15 December 2020
- 23 March 2021

All meetings held in 2020/21 were held virtually due to the Covid-19 pandemic. Information about the board, including minutes of board meetings, is available on the WYPF website via the following link:
www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx

WYPF Pension Board member training

Maintaining a good level of understanding amongst members of the pension board is important in maintaining strong levels of governance. Members are encouraged to make use of opportunities for training and attendance at industry events.

The agenda of every Board meeting contains information on upcoming industry events and training opportunities. In addition, there is a vast amount of experience available for members in the fund. Members are encouraged to contact the fund if they feel they would benefit from 1 to 1 training on specific areas. Officers also arrange specific in house training events for Investment Panel, Pensions Board and Joint Advisory Group members to attend during the year.

The training undertaken by pension board members during the past year includes the following events.

Virtual meetings training

- The Pensions Regulator's Single Modular Code and the LGPS webinar- 25 March 2021
- Barnet Waddingham LGPS Pension Committee & Local Pension Board Members training – 26 January 2021
- CIPFA McCloud Implementation Workshop for Committee and Board Members – August 2020

In addition, all pension board members are encouraged to undertake the Pensions Regulator Toolkit training, which is an online learning programme aimed at trustees of occupational pension schemes. The training includes a series of online learning modules and downloadable resources developed to help members meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

The work programme

Services to members and employers continues to be high on the board's agenda.
The meetings during the year received the following reports:

- Minutes of the Joint Advisory Group meetings
- Updates to the Pensions Administration Strategy
- Proposed updates to the Funding Strategy Statement
- Register of Breaches of Law
- Local Government Pension Scheme updates
- 2020/21 WYPF Service Budget
- Training conferences and seminars
- Minutes of Investment Advisory Panel
- Report and Accounts
- Audit Plan
- 2020 Annual Benefit Statement Exercise
- Data Improvement Plan
- McCloud Planning
- Risk register
- Communication Strategy

- Cyber security

Conclusion

This is the sixth report of the WYPF Pension Board I would like to thank all members of the board, our officers and advisers for their continued support and assistance.

Councillor Shakeela Lal
Chair of WYPF Pension Board

Section 4
Pensions Administration Review

Overview and legal status of West Yorkshire Pension Fund

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

Administering authority

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

HMRC registration

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

Fund activities during the year

Covid-19

The impact of the covid-19 pandemic has resulted in a number of changes to the way we have delivered our services to both members and employers in the pension fund.

Annual meetings

WYPF held its eighteenth annual meeting for scheme members on 28th October 2020 but due to the pandemic this was held as an online meeting. Pension fund members logged onto a video feed of the meeting.

The meeting was chaired by Councillor Andrew Thornton, chair of WYPF's Investment Panel and Joint Advisory Group. As usual, there were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment adviser Mark Stevens. Our employers' annual meeting was also held virtually on 29th October 2020. Topics covered were the pension fund valuation, and updates on the Fund including its investments and administration, and the general economic and financial market climate.

Employer training

During the summer we launched our employer webcasts under the heading 'Training Tuesdays'. These replaced our popular half-day workshops and allowed us to continue offering employers training throughout the year. The webcasts were also recorded and available on demand on our employer website. Many topics were covered and included 'Understanding pensionable pay', 'Employer discretions', 'Using online forms' and 'Ill health retirement'.

In the second half of the year we began working with our second London Borough, Barnet Pension Fund, and over the autumn we held extensive employer training sessions to help the employers with the on-boarding process.

Member engagement

We've continued to work with our pre-retirement partner Affinity Connect to offer two hour courses to members covering the financial and emotional aspects of retiring. Like our employer training, this has moved online this year with plans to move to a hybrid delivery model once the pandemic has passed. This year was also notable as we restructured our Employer Relations and Communications functions splitting the responsibilities into two dedicated teams in WYPF.

Pension Increase

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred member benefits are also increased by CPI. For the 2020/21 year an increase of 1.7% was applied on 6 April 2020.

Pension administration and cost

As in previous years, the workload of the pension administration section continued to increase and, member numbers continued to rise, particularly with the addition of new clients. WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000. Our quality management systems ensure that we are committed to providing the best possible service to customers, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF's pensions administration cost per member is £16.23. This is the 7th lowest cost amongst 86 LGPS funds and well below the national average of £23.50.

WYPF achieved accreditation for ISO27001 Information Security Management System Certification (ISMS). This accreditation is particularly important to us, highlights our continued commitment to information security and provides assurance to our customers that we have the ability to protect their data and reputation at all times.

Shared service

Our shared service partnership continues to flourish with the addition of four new Fire and Rescue Service clients. This brings the total number of Fire Authorities we provide administration for to 19. We also welcomed the London Borough of Barnet to our LGPS partnership adding to Lincolnshire Pension Fund and Hounslow Pension Fund.

Data quality

The Fund is required to report on the data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for new common data received after June 2010.

Data Type	%
Forename	100
Surname	100
Membership status	99.99
Date of birth	99.99
NI number	100
Postcode	99.93
Address	96.45

Work continues to be undertaken to improve address data and this work will continue over the next 12 months and beyond since members continue to change address without informing the fund.

Communications

Our Contact Centre has remained closed to visitors to our offices but we have continued to provide a full telephone service. Contact through emails and our secure member portal has increased as a result.

One hundred percent of annual pension benefit statements for active and deferred members were produced on time giving members information on their benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information.

Regular newsletters continue to be issued to our members to keep them informed of important pensions news.

MyPension

With the new WYPF members' web service 'MyPension' members can view their pension record and statements, update personal details, tell us they have moved house and more. Members are being encouraged to sign up as we move to more online communications. Enhancements to be introduced shortly include the facility for members to run their own estimate of retirement benefits calculations.

Pension Age Awards

It proved to be another successful year for WYPF, which was shortlisted by Pensions Age under the following categories:

- DB Scheme of the Year
- Pension Scheme Communications Award
- Pensions Administration Award

Due to the pandemic the awards ceremony was postponed to later in 2021.

Disaster recovery and risk management monitoring

WYPF uses Bradford Council's pair of geographically separated data centres, which are 3.2km apart. Both purpose-built data centres are protected by redundant power (UPS), a backup generator and cooling.

- The data centres are connected by point-to-point council-owned fibre runs. Data centres have secure access systems and are monitored 24/7 by Bradford's CCTV Unit.
- Both sites are permanently live and accessible by our internal end-users who are networked to the sites via diverse fibre cable routes.
- Where possible, servers are virtualised, using Microsoft Hyper-V. The servers and data are replicated between the Hyper-V hosts at both sites to ensure a short recovery time.

- Data is backed up to disk medium in a 24-hour cycle and written to tape archive on robotic tape libraries at both sites. An encrypted archive copy is sent to a dedicated offsite storage facility every week.
- WYPF's server, disk and core network infrastructure is monitored for errors and warnings, and these generate a ticket on the WYPF IT ITIL system for investigation and resolution.
- Critical data stores are also replicated at disk level between sites. In the event of serious system failures, WYPF would re-provision testing hardware and the infrastructure environment for live running.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices or our Lincoln office, or work remotely. WYPF is covered by the council's comprehensive disaster recovery plan for the email, web, phone, network and SAP services they deliver for us.

Social media

WYPF's Facebook and Twitter accounts were launched in November 2014 to encourage members of all ages to engage more with the fund.

www.twitter.com/wypf_lgps

www.facebook.com/westyorkshirepensionfund

See www.wypf.org.uk/privacy for more details.

Stoodley Pike, Calderdale

Section 5
Financial Management and Performance

Financial Performance – analytical review

The following table identifies movements in the fund account based on expenditure between 31 March 2020 and 31 March 2021 and provides reasons for variances. The full financial statements are within section 10 – Statement of accounts of this document.

Statutory accounts financial performance variance 2021 versus 2020

Table A – dealing with members and employers

Dealings with members, employers and others directly involved in the fund	31-March-2021 £000	31-March-2020 £000	Variance £000	Notes on significant variances
Contributions receivable	480,170	441,973	38,197	Increased number of active members and contributions due
Transfers In	26,934	50,705	-23,771	Reduction in the number of members transferring their pension savings to WYPF.
Non-statutory pensions and pensions increases recharged	21,019	21,671	-652	No significant change.
Benefits payable	-550,077	-553,082	3,005	A small reduction in the number of pensioners.
Non-statutory pensions and pensions increase	-21,019	-21,671	652	No significant change.
Payments to and on account of leavers	-23,373	-37,250	13,877	Reduction in number of members transferring their pension savings from WYPF
Management expenses	-10,002	-12,306	2,304	Impact of home working, direct result of Covid-19 pandemic. In addition there has been a reduction in the level of investments transactions and costs, to manage the prevailing impact of reduced dividends from companies, WYPF conserved it cash balances.

Table B – fund assets performance

Returns on investments	31-March-2021 £000	31-March-2020 £000	Variance £000	Notes on significant variances
Investment income	361,159	464,284	-103,125	Reduced dividend income, direct result of Covid-19 pandemic, companies naturally conserved their cash reserves to deal with increased market and operational uncertainty.
Taxes on income	-7,919	-8,719	800	Reduced tax on income direct result of reduced dividends globally as companies conserve their cash reserves.
Profit and losses on disposal and changes in value of investments	2,833,734	-1,497,058	4,330,792	Positive impact of financial markets rallying during 2020/21, after the 2019/20 loss of value.
Stock lending	2,278	2,710	-432	Reduced stock lending activities, as a result of the Covid-19 pandemic and a small impact of increased voting activities by WYPF on all stock owned.
Net return on investments	**3,189,252**	**-1,038,783**	**4,228,035**	Negative market impact of Covid-19 on asset values.
Net increase/(decrease) in the net assets	**3,112,904**	**-1,148,743**	**4,261,647**	Positive market increases after the unprecedented loss of asset value due to Covid-19 in 2019/20.
Opening net assets of the fund	**13,214,298**	**14,363,041**	**-1,148,743**	8% reduction in market value mainly due to financial impact of Covid-19 on asset values between 2018/19 and 2019/20.
Closing net assets of the fund	**16,327,202**	**13,214,298**	**3,112,904**	Positive market increases after the unprecedented loss of asset value due to Covid-19 in 2019/20.

Fund account three-year forecast and two-year outturn

The table below shows a three-year budget estimate 2020/21 to 2023/24 and outturn figures for 2019/20 and 2020/21

Fund account – estimates and actuals	2023/24 Estimate	2022/23 Estimate	2021/22 Estimate	2020/21 Estimate	2020/21 Outturn	2019/20 Outturn	2018/19 Outturn
	£000	£000	£000	£000	£000	£000	£000
Dealings with members, employers and others directly involved in the fund							
Contributions receivable	494,800	489,900	485,000	430,900	480,170	441,973	416,949
Transfers in	27,800	27,500	27,200	27,400	26,934	50,705	26,491
Non-statutory pensions and pensions increases recharged	21,600	21,400	21,200	20,500	21,019	21,671	21,938
Total income from members and employers	**544,200**	**538,800**	**533,400**	**478,800**	**528,123**	**514,349**	**465,378**
Benefits payable	-636,800	-606,500	-577,600	-523,300	-550,077	-553,082	-506,461
Non-statutory pensions and pensions increase	-24,400	-23,200	-22,100	-20,500	-21,019	-21,671	-21,938
Payments to and on account of leavers	-27,000	-25,700	-24,500	-41,700	-23,373	-37,250	-40,445
Total payments to members	**-688,200**	**-655,400**	**-624,200**	**-585,500**	**-594,469**	**-612,003**	**-568,844**
Management expenses	**-14,000**	**-13,300**	**-12,685**	**-12,765**	**-10,002**	**-12,306**	**-10,006**
Returns on investments							
Investment income	418,100	398,200	379,200	405,400	361,159	464,284	438,585
Taxes on income	-9,100	-8,700	-8,300	-8,400	-7,919	-8,719	-8,236
Profit and losses on disposal of and changes in value of investments	551,300	525,000	500,000	357,900	2,697,250	-1,497,058	476,252
Stock lending	2,600	2,500	2,400	3,500	2,277	2,710	3,279
Net return on investments	**962,900**	**917,000**	**873,300**	**758,400**	**3,052,767**	**-1,038,783**	**909,880**
Net increase in the net assets available for benefits during the year	**804,900**	**787,100**	**769,815**	**638,935**	**2,976,419**	**-1,148,743**	**796,408**
Opening net assets of the	**17,747,632**	**16,960,532**	**16,190,717**	**13,846,234**	**13,214,298**	**14,363,041**	**13,566,633**
Closing net assets of the fund	**18,552,532**	**17,747,632**	**16,960,532**	**14,485,169**	**16,190,717**	**13,214,298**	**14,363,041**
% Increase in net assets	**4.54%**	**4.64%**	**4.75%**	**9.62%**	**22.52%**	**-8.00%**	**5.87%**

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

Management expenses forecast and outturn report

The table below gives the management cost forecast for 2020/21 to 2023/24 and outturn figures for 2019/20 and 2020/21.

	2023/24	2022/23	2021/22	2020/21	2020/21	2020/21	2019/20
	Estimate	Estimate	Estimate	Estimate	Full year outturn	Variance outturn	Full year outturn
	£000	£000	£000	£000	£000	£000	£000
Expenditure							
Accommodation	320	300	290	369	350	19	422
Actuarial costs	340	320	300	300	337	-37	533
Computer costs	1,000	950	900	803	1,307	-504	991
Employee costs	10,290	9,800	9,329	8,167	6,877	1,290	7,712
Internal recharges from Bradford Council	500	480	454	454	453	1	454
Printing and postage	560	530	500	662	496	166	518
Other running costs	1020	970	920	1,370	927	443	1,174
Investment transaction costs	3,000	2,860	2,725	2,725	1,496	1229	2,770
Total expenditure	**17,030**	**16,210**	**15,418**	**14,850**	**12,243**	**2,607**	**14,574**
Expenditure							
Shared service income	-2,760	-2,630	-2,500	-2,300	-2,017	-283	-1,958
Other income	-250	-240	-233	-186	-224	38	-310
Total income	**-3,010**	**-2,870**	**-2,733**	**-2,486**	**-2,241**	**-245**	**-2,268**
Total	**14,020**	**13,340**	**12,685**	**12,364**	**10,002**	**2,362**	**12,306**

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

Variances between the revised estimate and outturn for 2020/21 are mainly due to:

- **Accommodation costs:** £19k underspend. Reduction in spend direct impact of staff working from home, due to Covid-19.
- **Actuarial costs:** £37k overspend on actuarial services due to increased regulatory, covenant and general technical work to improve actuarial services for WYPF and fund employers.
- **Computer costs:** £504k increased investment in computers and systems to support home working and digital services for members and employers.
- **Employee costs:** £1,290k underspent against budget. Backdated estimated cost of new staffing structure was charged to 2019/20, but actual pay charged for this in 2020/21 was less than the provision. In addition, a number of vacant posts remained difficult to fill in 2020/21.
- **Internal recharges:** £1k underspend. Payment to Bradford Council for services provided to West Yorkshire Pension Fund for ICT, payroll, legal services and other corporate services.
- **Printing and postage:** £166k underspend as a direct result of increased use of digital services.
- **Other running costs:** £443k underspend due to reduced traveling and restrictive impact of the Covid-19 pandemic. However, we have maintained service using remote working, virtual services and increased investment in our digital services.

- **Investment transaction costs:** £1,229k underspend. This is another direct impact of Covid-19 resulting in a reduced number of investment transactions in 2020/21.

- **Total income:** £245k overspend. Reduced income net variance as a result of cost effectiveness and saving in 2020/21 - we share our savings by charging our partners less. All charges to our shared service partners are based on actual total cost and number of members at the year-end for each service partner.

Civic Hall, Leeds

Participating employers

Analysis of employers summarised by type

There were 409 active employers at the end of the financial year. A total of 33 employers ceased their membership of the fund during the year, converted to academy status or joined multi-academy trusts.

Employers	2020/21 Active	2020/21 Ceased	2020/21 Total	2019/20 Total
Admitted body	147	30	177	180
Scheduled body	262	3	265	307
Total	**409**	**33**	**442**	**487**

Analysis of contributions received on time and late

The table below shows the value of pension contributions received both on time and late. West Yorkshire Pension Fund receives contributions from over 420 employers every month with a total monthly value of almost £34m. Contribution payment from employers is due by the 19th of the month following the payroll month. Contributions received late were late by less than one month; therefore, no statutory late payment interest was charged.

Contribution payment performance	2020/21 Total £000	2020/21 Received on time £000	2020/21 Received on time %	2020/21 Received late £000	2020/21 Received late %	2019/20 Received late £000	2019/20 Received late %
Employer contributions	353,385	350,472	99.10	2,913	0.80	533	0.17
Employee contributions	126,785	125,633	99.10	1,152	0.90	207	0.17
Total	**480,170**	**476,105**	**99.20**	**4,065**	**1.70**	**740**	**0.17**

Data governance and monthly returns

Since April 2014 all employers who participate in the fund have been required to submit a detailed monthly return to WYPF for staff who are active members in the fund. The information collected each month includes members' data and contribution payments made to the fund. The data is used to update members' records on the pension administration system and as a means of reconciling contribution income received monthly.

The monthly data return process is the cornerstone of our award winning data governance process. The process has improved data governance and operational efficiency, and removed the need for a number of year-end reconciliation projects. Data posting and cash reconciliation from employers to members' records and cash accounts are daily business as usual processes. This is enabling us to manage very strong pension regulatory compliance performance management.

Monthly returns performance data	2020/21	%	2019/20	%	2018/19	%	2017/18
Number of returns expected in the year from all employers	9,822		5,640		6,015		5,468
Number of returns received by 19 April	9,798	99.756	5,497	97.465	6,015	100.000	5,468
Number of returns not received by 31 May	24	0.244	8	0.142	0	0.000	0
Returns processed within 10 working days	9,193	93.596	5,375	95.301	5,465	90.860	4,490
Number of records on return	1,553,903		1,211,489		1,205,499		1,275,273
Number of new member records set up using monthly return	21,005	0.014	20,493	0.017	20,493	1.700	23,172
Number of leaver notifications processed using monthly returns	9,865	0.006	11,492	0.009	11,492	0.950	12,091

Employers who made contributions to the fund during 2020/21

Participating employers		
BRADFORD M.D.C	BOLTON BROW PRIMARY ACADEMY	CLAPGATE PRIMARY SCHOOL
LEEDS CITY COUNCIL	BOOTHROYD PRIMARY ACADEMY	CLAYTON PARISH COUNCIL
CALDERDALE M.B.C	BRADFORD ACADEMY	COALFIELDS REGENERATION TRUST
KIRKLEES M.C	BRADFORD COLLEGE	COCKBURN MULTI ACADEMY TRUST
WAKEFIELD M.D.C	BRADFORD DIOCESAN ACADEMIES TRUST	COLLABORATIVE LEARNING TRUST
ABBEY MULTI ACADEMY TRUST	BRADFORD DISTRICT CREDIT UNION	COLLINGHAM LADY ELIZABETH HASTINGS
ABSOLUTELY CATERING LIMITED (BATLEY MAT)	BRADSHAW PRIMARY SCHOOL	COMMUNITY ACCORD
ABSOLUTELY CATERING LTD (BGS)	BRAMLEY PARK ACADEMY (left 31/03/20)	COMPASS (LEEDS PFI SCHOOLS)
ACCORD MULTI ACADEMY TRUST	BRAMLEY ST PETERS C OF E SCHOOL	COMPASS CONTRACT SERVICES (GREEN LANE)
ACKWORTH PARISH COUNCIL	BRIGHOUSE ACADEMY	COMPASS CONTRACT SERVICES (LAISTERDYKE)
ACTIVE CLEANING LTD (CROFTON ACADEMY)	BRIGHTER FUTURES ACADEMY TRUST	COMPASS CONTRACT SERVICES (NORTHERN EDUCATION TRUST)
ADDINGHAM PARISH COUNCIL	BRIGSHAW LEARNING PARTNERSHIP	COMPASS CONTRACT SERVICES (PARK VIEW & EAST GARFORTH)
ADEL ST JOHN THE BAPTIST C E (V A) PRIMARY SCHOOL	BRITISH GAS SOCIAL HOUSING LTD	COMPASS CONTRACT SERVICES (ST JOHN FISHERS)
AFFINITY TRUST (left 31/03/20)	BRODETSKY JEWISH (V A) PRIMARY SCHOOL	COMPASS CONTRACT SERVICES (UK) (PONTEFRACT ACADEMIES TRUST)
AIREBOROUGH LEARNING PARTNERSHIP TRUST	BRONTE ACADEMY TRUST	COMPASS CONTRACT SERVICES (UK) LTD
ALL SAINTS C E J & I SCHOOL	BROOKSBANK SCHOOL SPORTS COLLEGE	COMPASS CONTRACT SERVICES (UK) LTD (CHARTWELL)
ALL SAINTS RICHMOND HILL CHURCH OF ENGLAND PRIMARY SCHOOL	BULLOUGH CONTRACT SERVICES (LEEDS CITY COLLEGE)	COMPASS CONTRACT SERVICES (UK) LTD (SHARE MAT)
AMEY COMMUNITY LTD BRADFORD BSF PHASE 2 FM SERVICES	BURLEY PARISH COUNCIL	COMPASS CONTRACT SERVICES (WESTBOROUGH HIGH SCHOOL)
AMEY COMMUNITY LTD FM SERVICES	BURNLEY ROAD ACADEMY	COMPASS CONTRACT SERVICES (WHETLEY ACADEMY)
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)	C AND K CAREERS LTD	COMPASS CONTRACT SERVICES LTD (MANOR CROFT)
APCOA PARKING (UK) LIMITED	CAFCASS	CONSULTANT CLEANERS LIMITED (W Y FIRE)
ARAMARK LIMITED	CALDER HIGH SCHOOL	CONSULTANT CLEANERS LIMITED (WESTBOROUGH HIGH SCHOOL)
ARCADIS (UK) LTD	CALDERDALE COLLEGE	COOKRIDGE HOLY TRINITY C E PRIMARY SCHOOL
ARTS COUNCIL ENGLAND	CALVERLEY C OF E PRIMARY SCHOOL	CORPUS CHRISTI CATHOLIC COLLEGE
ASPENS SERVICES LTD	CARDINAL HEENAN CATHOLIC HIGH SCHOOL	CORPUS CHRISTI CATHOLIC PRIMARY SCHOOL
ASPENS SERVICES LTD (APPLETON ACADEMY)	CARE QUALITY COMMISSION	COTTINGLEY PRIMARY ACADEMY
ASPENS SERVICES LTD (OASIS ACADEMY)	CARR MANOR COMMUNITY SCHOOL	CRAFT CENTRE & DESIGN GAL. LTD
ASPIRE COMMUNITY BENEFIT SOCIETY LTD	CARROLL CLEANING CO LTD (LAPAGE PRIMARY SCHOOL)	CREATIVE SUPPORT LIMITED
ASPIRE-I	CARROLL CLEANING CO LTD (LEE MOUNT PRIMARY SCHOOL)	CRESCENT PURCHASING LTD
ASPIRE-IGEN LTD	CARROLL CLEANING COMPANY (NESSFIELD PRIMARY SCHOOL)	CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY
B B G ACADEMY	CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)	CROFTON ACADEMY
BAILDON TOWN COUNCIL	CARROLL CLEANING COMPANY LIMITED (THORNBURY)	CROSSLEY HALL PRIMARY SCHOOL
BANKSIDE PRIMARY SCHOOL	CARROLL CLEANING COMPANY LTD (BIRKENSHAW PRIMARY SCHOOL)	CROW LANE PRIMARY AND FOUNDATION STAGE SCHOOL
BANKSIDE PRIMARY SCHOOL	CARROLL CLEANING COMPANY LTD (HOLY TRINITY PRIMARY)	DARRINGTON C OF E PRIMARY SCHOOL
BARDSEY PRIMARY FOUNDATION SCHOOL	CARROLL CLEANING COMPANY LTD (PEEL PARK PRIMARY SCHOOL)	DEIGHTON GATES PRIMARY FOUNDATION SCHOOL
BARNARDOS ASKHAM GRANGE PRISON	CARROLL CLEANING COMPANY LTD (SOUTHMERE PRIMARY ACADEMY)	DELTA ACADEMIES TRUST
BASKETBALL ENGLAND	CARROLL CLEANING COMPANY LTD (ST JOHNS WAKEFIELD)	DENBY DALE PARISH COUNCIL

Participating employers		
BATLEY GRAMMAR FREE SCHOOL	CARROLL CLEANING COMPANY LTD (WAKEFIELD)	DIXONS ACADEMIES CHARITABLE TRUST LTD
BATLEY GRAMMAR SCHOOL (BATLEY M.A.T.)	CARROLL CLEANING COMPANY LTD (WHETLEY)	Dolce (Bishop Konstant C.A.T)
BATLEY MULTI ACADEMY TRUST	CASTLE HALL ACADEMY	EAST NORTH EAST HOMES LEEDS
BECKFOOT TRUST	CASTLEFORD ACADEMY	EBOR GARDENS PRIMARY ACADEMY (left 31/03/20)
BEESTON HILL ST LUKES C E PRIMARY SCHOOL	CATERLINK LIMITED (BROADGATE PRIMARY SCHOOL)	ELEMENTS PRIMARY SCHOOL
BEESTON PRIMARY TRUST	CATERLINK LIMITED (IRELAND WOOD PRIMARY SCHOOL)	ELEVATE MULTI ACADEMY TRUST
BELLE ISLE TENANT MANAGEMENT ORG	CBRE MANAGED SERVICES LIMITED	ELITE CLEANING AND ENVIRONMENTAL SERVICES LTD
BID SERVICES	CHIEF CONSTABLE FOR WEST YORKSHIRE	ENGIE SERVICES LTD
BINGLEY GRAMMAR SCHOOL	CHURCHILL CONTRACT SERVICES (B B G ACADEMY)	ENHANCE ACADEMY TRUST
BIRSTALL PRIMARY ACADEMY	CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE SECURITY)	ENTERPRISE MANAGED SERVICES LTD
BLESSED CHRISTOPHER WHARTON ACADEMY TRUST	CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE)	ENVIROSERVE (CALDER HIGH SCHOOL)
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (CALDERDALE)	CHURCHILL CONTRACT SERVICES (OUTWOOD GRANGE ACADEMIES TRUST)	ENVIROSERVE (EBOR GARDENS PRIMARY ACADEMY)
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (KIRKLEES)	CHURCHILL CONTRACT SERVICES (SHARE MAT)	ENVIROSERVE (JOSEPH NORTON ACADEMY)
ENVIROSERVE (VICTORIA PRIMARY ACADEMY)	INTERSERVE (FACILITIES MANAGEMENT) LTD (P.C.C FOR WEST YORKSHIRE) (left 31/03/20)	LOCALA (CALDERDALE)
ETHOS ACADEMY TRUST	INTERSERVE (FACILITIES MANAGEMENT) LTD (W Y POLICE CLEANING CONTRACT)	LONGROYDE JUNIOR SCHOOL
EXCEED ACADEMIES TRUST	INTERSERVE CATERING SERVICES LIMITED	MAKING SPACE
FALCON EDUCATION ACADEMIES TRUST	INTERSERVE INTEGRATED SERVICES LTD	MAST ACADEMY TRUST
FEATHERSTONE ACADEMY (left 31/03/20)	IQRA ACADEMY	MEANWOOD C E (VA) PRIMARY SCHOOL
FEVERSHAM EDUCATION TRUST	IQRA ACADEMY (FEVERSHAM EDUCATION TRUST)	MEARS LTD (SOUTH)
FEVERSHAM PRIMARY ACADEMY	JERRY CLAY ACADEMY	MEARS LTD (WEST)
FIELDHEAD JUNIOR INFANT AND NURSERY ACADEMY	JOHN SMEATON ACADEMY	MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)
FIRST WEST YORKSHIRE LTD	JOSEPH NORTON ACADEMY (left 31/03/20)	MELLORS CATERING SERVICES LTD (CAVENDISH PRIMARY)
FLEET FACTORS LTD	KEELHAM PRIMARY SCHOOL	MELTHAM TOWN COUNCIL
FOXHILL PRIMARY SCHOOL	KEEPMOAT PROPERTY SERVICES LIMITED	MENSTON PARISH COUNCIL
FUTURE CLEANING SERVICES LIMITED (CALDER HIGH)	KEIGHLEY TOWN COUNCIL	MICKLEFIELD PARISH COUNCIL
GOLCAR JUNIOR INFANTS AND NURSERY SCHOOL	KHALSA SCIENCE ACADEMY	MINSTHORPE ACADEMY TRUST
GREENHEAD SIXTH FORM COLLEGE	KILLINGHALL PRIMARY SCHOOL	MITIE LIMITED (LEEDS SCHOOLS PFI)
GROUNDWORK LEEDS	KING JAMES'S SCHOOL	MITIE PFI LIMITED
GROUNDWORK WAKEFIELD	KIRKBURTON PARISH COUNCIL	MOORLANDS LEARNING TRUST
HALIFAX OPPORTUNITIES TRUST (CALDERDALE)	KIRKLEES ACTIVE LEISURE	MORLEY TOWN COUNCIL
HANSON SCHOOL	KIRKLEES CITIZENS ADVICE AND LAW CENTRE	MOUNT ST MARYS CATHOLIC HIGH SCHOOL
HAWKSWORTH C E (VA) PRIMARY SCHOOL	KIRKLEES COLLEGE	MOUNTAIN HEALTHCARE LTD (W Y POLICE)
HEBDEN ROYD TOWN COUNCIL	KIRKLEES NEIGHBOURHOOD HSE LTD	MYRTLE PARK PRIMARY SCHOOL
HECKMONDWIKE GS ACADEMY TRUST	KIRKSTALL ST STEPHENS C E (VA) PRIMARY SCHOOL	N.I.C. SERVICES GROUP LIMITED (MIDDLETON ST MARYS LEEDS)
HEMSWORTH TOWN COUNCIL	LADY ELIZABETH HASTINGS SCHOOL	NATIONAL COAL MINING MUSEUM FOR ENGLAND
HEPWORTH GALLERY TRUST	LAISTERDYKE LEADERSHIP ACADEMY	NEW COLLABORATIVE LEARNING TRUST
HF TRUST LIMITED (left 31/03/20)	LANE END PRIMARY TRUST	NINELANDS PRIMARY SCHOOL
HILL TOP FIRST SCHOOL	LEARNING ACCORD MULTI ACADEMY TRUST	NORMANTON TOWN COUNCIL
HOLLY BANK TRUST	LEEDS AND BRADFORD INTERNATIONAL AIRPORT	NORTH HALIFAX GRAMMAR ACADEMY
HOLME VALLEY PARISH COUNCIL	LEEDS APPROPRIATE ADULT SERVICE	NORTH HALIFAX PARTNERSHIP LTD
HOLY FAMILY CATHOLIC (VA) PRIMARY SCHOOL	LEEDS ARTS UNIVERSITY	NORTHERN AMBITION ACADEMIES TRUST
HOLY ROSARY AND ST ANNES CATHOLIC PRIMARY SCHOOL	LEEDS BECKETT UNIVERSITY	NORTHERN EDUCATION TRUST

Participating employers		
HOLY TRINITY PRIMARY C OF E ACADEMY	LEEDS C.A.B.	NORTHERN SCH.OF CONTEMP DANCE
HORBURY BRIDGE CE J AND I SCHOOL	LEEDS CENTRE FOR INTEGRATED LIVING	NORTHERN STAR ACADEMIES TRUST
HORSFORTH SCHOOL ACADEMY	LEEDS CITY ACADEMY	NORTHORPE HALL CHILD AND FAMILY TRUST
HORSFORTH TOWN COUNCIL	LEEDS CITY COLLEGE	NOTRE DAME SIXTH FORM COLLEGE
HORTON HOUSING ASSOCIATION (BRADFORD)	LEEDS COLLEGE OF BUILDING	NPS LEEDS LIMITED
HUDDERSFIELD NEW COLLEGE	LEEDS COLLEGE OF MUSIC	NURTURE ACADEMIES TRUST
HUGH GAITSKELL PRIMARY SCHOOL TRUST	LEEDS EAST PRIMARY PARTNERSHIP TRUST	OASIS ACADEMY LISTER PARK
HUMANKIND CHARITY (LEEDS)	LEEDS GRAND THEATRE & OPERA HSE	OFSTED
HUNSLET ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL	LEEDS JEWISH FREE SCHOOL	OLD EARTH ACADEMY
HUNSLET ST MARYS C E (VA) PRIMARY SCHOOL	LEEDS M.I.N.D	ONE IN A MILLION FREE SCHOOL
HUTCHISON CATERING LTD (GUISELEY SCHOOL)	LEEDS NORTH WEST EDUCATION PARTNERSHIP	OPEN COLLEGE NETWORK YORKS & HUMBER (TRADING AS CERTA)
I S S MEDICLEAN LTD	LEEDS SOCIETY FOR THE DEAF & BLIND	OSSETT TRUST
ILKLEY PARISH COUNCIL	LEEDS TRINITY UNIVERSITY	OTLEY TOWN COUNCIL
IMMACULATE HEART OF MARY CATHOLIC PRIMARY SCHOOL	LEODIS ACADEMIES TRUST	OUR LADY OF GOOD COUNSEL CATHOLIC PRIMARY SCHOOL
IMPACT EDUCATION MULTI ACADEMY TRUST	LIBERTY GAS OUTER WEST	OUTWOOD ACADEMY FREESTON
INCOMMUNITIES	LIBERTY GAS WEST	OUTWOOD ACADEMY HEMSWORTH
INNOVATE SERVICES LTD (CROSSFLATTS)	LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST	OUTWOOD ACADEMY WAKEFIELD CITY
INSPIRE PARTNERSHIP MULTI ACADEMY TRUST	LIGHTHOUSE SCHOOL	OUTWOOD GRANGE ACADEMY
INTERACTION AND COMMUNICATION ACADEMY TRUST	LINDLEY C E INFANT ACADEMY	OUTWOOD PRIMARY ACADEMY BELL LANE
INTERACTION AND COMMUNICATION ACADEMY TRUST (HIGH PARK)	LINDLEY JUNIOR SCHOOL ACADEMY TRUST	OUTWOOD PRIMARY ACADEMY KIRKHAMGATE
INTERSERVE (FACILITIES MANAGEMENT) LTD	LOCALA	OUTWOOD PRIMARY ACADEMY LEDGER LANE
OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE	SITLINGTON PARISH COUNCIL	THE BISHOP WHEELER CATHOLIC ACADEMY TRUST
OUTWOOD PRIMARY ACADEMY NEWSTEAD GREEN	SKILLS FOR CARE LIMITED	THE CO-OPERATIVE ACADEMIES TRUST
OUTWOOD PRIMARY ACADEMY PARK HILL	SODEXO LTD	THE CROSSLEY HEATH ACADEMY TRUST
OWLCOTES MULTI ACADEMY TRUST	SOUTH ELMSALL TOWN COUNCIL	THE FAMILY OF LEARNING TRUST
PADDOCK JUNIOR INFANT AND NURSERY SCHOOL	SOUTH HIENDLEY PARISH COUNCIL	THE GORSE ACADEMIES TRUST
PENNINE ACADEMIES YORKSHIRE	SOUTH KIRKBY AND MOORTHORPE TOWN COUNCIL	THE GREETLAND ACADEMY TRUST
PINNACLE (W Y POLICE)	SOUTH OSSETT INFANTS ACADEMY	THE JOHN CURWEN CO-OPERATIVE PRIMARY ACADEMY
PINNACLE FM LIMITED (KIRKLEES)	SOUTH PENNINE ACADEMIES	THE LANTERN LEARNING TRUST
PINNACLE FM LTD	SOUTHFIELD GRANGE TRUST	THE MFG ACADEMIES TRUST
PONTEFRACT ACADEMIES TRUST	SOUTHWAY AT THE RODILLIAN ACADEMY LTD	THE POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE
POOL PARISH COUNCIL	SPEN VALLEY FOUNDATION TRUST	THORNHILL JUNIOR AND INFANT SCHOOL
POSSABILITIES CIC	SPIE LTD	THORNTON PRIMARY SCHOOL
PRIESTHORPE SCHOOL TRUST	SPRINGWELL ACADEMY LEEDS (left 31/03/20)	THORP ARCH LADY ELIZABETH HASTINGS C E (VA) PRIMARY SCHOOL
PRIESTLEY ACADEMY TRUST	SSE CONTRACTING LTD	TNS CATERING (SPTA)
PRIMROSE LANE PRIMARY FOUNDATION SCHOOL	ST ANNE'S (BRADFORD) COMMUNITY SERVICES	TNS CATERING MAN LTD (ST BOTOLPHS)
PROGRESS TO CHANGE (CARDIGAN HOUSE)	ST ANNE'S COMMUNITY SERVICES	TODMORDEN TOWN COUNCIL
PROGRESS TO CHANGE (RIPON HOUSE)	ST ANTHONYS CATHOLIC (VA) PRIMARY SCHOOL	TOGETHER HOUSING ASSOCIATION LTD (GREENVALE)
PROSPECTS SERVICES (BRADFORD 3)	ST AUGUSTINES CATHOLIC PRIMARY SCHOOL	TOGETHER HOUSING ASSOCIATION LTD (PENNINE)
PROV CARLTON BOLLING COLLEGE	ST EDWARDS CATHOLIC (VA) PRIMARY SCHOOL	TONG LEADERSHIP ACADEMY
PROV NORSE COMMERCIAL SERVICES LTD (WELLSPRING ACADEMY TRUST)	ST FRANCIS CATHOLIC PRIMARY SCHOOL	TRINITY ACADEMY HALIFAX
PROV WRAT CLEANING CONTRACT	ST FRANCIS OF ASSISI CATHOLIC (VA) PRIMARY SCHOOL	TURNING LIVES AROUND
PUDSEY GRANGEFIELD SCHOOL	ST GREGORY THE GREAT CATHOLIC ACADEMY TRUST	TURNING POINT (left 31/03/20)

Participating employers		
PUDSEY SOUTHROYD PRIMARY SCHOOL TRUST	ST JOHN'S (CE) PRIMARY ACADEMY TRUST	TURNING POINT (WAKEFIELD)
RAINBOW PRIMARY FREE SCHOOL	ST JOHN'S APPROVED PREMISES LIMITED	UNITED RESPONSE
RASTRICK HIGH SCHOOL ACADEMY TRUST	ST JOHN'S PRIMARY ACADEMY RISHWORTH	UNIVERSITY ACADEMY KEIGHLEY
RAWDON PARISH COUNCIL	ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL WETHERBY	UNIVERSITY OF BRADFORD
RED KITE LEARNING TRUST (HARROGATE HR HUB)	ST JOSEPHS RC PRIMARY SCHOOL (TODMORDEN) RCAT	UNIVERSITY OF HUDDERSFIELD
RED KITE LEARNING TRUST (LEEDS EAST HR HUB)	ST MATTHEWS C E PRIMARY SCHOOL	UNIVERSITY TECHNICAL COLLEGE LEEDS
REEVY HILL PRIMARY SCHOOL	ST MICHAEL & ALL ANGELS J & I	VICTORIA PRIMARY ACADEMY (left 31/03/20)
RENEWI UK SERVICES LIMITED	ST NICHOLAS CATHOLIC PRIMARY SCHOOL	W.Y. FIRE & RESCUE AUTHORITY
RODILLIAN ACADEMY	ST OSWALDS CHURCH OF ENGLAND PRIMARY SCHOOL	WAKEFIELD & DISTRICT HOUSING LTD
ROOK'S NEST ACADEMY	ST PATRICKS CATHOLIC (VA) PRIMARY SCHOOL	WAKEFIELD CITY ACADEMIES TRUST
ROTHWELL ST MARYS CATHOLIC (VA) PRIMARY SCHOOL	ST PAULS CATHOLIC (VA) PRIMARY SCHOOL (left 31/03/20)	WAKEFIELD COLLEGE
ROUNDHAY ST JOHNS C E (VA) PRIMARY SCHOOL	ST PETERS C E PRIMARY SCHOOL	WAKEFIELD M.D.C. COUNCILLORS
ROYDS COMMUNITY ASSOCIATION	ST PHILIPS CATHOLIC PRIMARY SCHOOL	WATERTON ACADEMY TRUST
ROYDS LEARNING TRUST	ST THERESAS CATHOLIC PRIMARY SCHOOL	WEST YORKSHIRE COMBINED AUTHORITY
RUSSELL HALL FIRST SCHOOL	ST URBANS CATHOLIC (VA) PRIMARY SCHOOL	WEST. YORKS. POLICE CIVILIAN
RYBURN VALLEY ACADEMY	ST VINCENT DE PAUL SOCIETY (ENGLAND & WALES)	WESTWOOD PRIMARY SCHOOL TRUST
RYHILL PARISH COUNCIL	STAR ACADEMIES TRUST	WETHERBY HIGH SCHOOL
SACRED HEART CATHOLIC (VA) PRIMARY SCHOOL	STRAWBERRY FIELDS PRIMARY SCHOOL	WETHERBY TOWN COUNCIL
SALENDINE NOOK ACADEMY TRUST	SUEZ RECYCLING AND RECOVERY UK LIMITED	WHINMOOR ST PAULS C E PRIMARY SCHOOL
SALTERLEE ACADEMY TRUST	TAYLOR SHAW LIMITED (GORSE ACADEMIES TRUST)	WHITEHILL COMMUNITY ACADEMY
SALTERLEE J & I SCHOOL	TAYLOR SHAW LIMITED (GORSE AT ELLIOTT HUDSON COLLEGE)	WILLIAM HENRY SMITH SCHOOL
SCOUT ROAD ACADEMY	TAYLORSHAW LTD (COOKRIDGE HOLY TRINITY SCHOOL)	WILSDEN PRIMARY SCHOOL
SEA FISH INDUSTRY AUTHORITY	TAYLORSHAW LTD (CROSSGATES BEECHWOOD WHITELAITH)	WOLSELEY UK LTD
SERVEST (B B G ACADEMY)	TAYLORSHAW LTD (FIELDHEAD GRIMES MANSTON)	WOODKIRK ACADEMY
SHARE MULTI ACADEMY TRUST	TAYLORSHAW LTD (PARKLANDS PRIMARY)	WOODSIDE ACADEMY
SHIBDEN HEAD PRIMARY ACADEMY	TAYLORSHAW LTD (SWARCLIFFE PRIMARY SCHOOL)	WORTH VALLEY PRIMARY SCHOOL
SHIPLEY COLLEGE	THE ANAH PROJECT	WRAT - LEEDS EAST ACADEMY
SHIRLEY MANOR PRIMARY ACADEMY	THE BISHOP KONSTANT CATHOLIC TRUST	WRAT - LEEDS WEST ACADEMY
YORKSHIRE PURCHASING ORGANISATION		

Benefits paid

West Yorkshire Pension Fund pays almost 141,000 pensioners and beneficiaries with a gross pension payroll in excess of £56m each month for West Yorkshire members and pension members of pension funds participating in our shared services. Only West Yorkshire Pension Fund members are charged to the account in this financial statement.

Shared service provision

In addition to the local government pensions paid each month, West Yorkshire Pension Fund also provides a pensions administration and payroll service for the following organisations.

	Service type	Shared service partners
1	LGPS	Lincolnshire LGPS
2	LGPS	LB Hounslow LGPS
3	LGPS	LB Barnet LGPS
4	FIRE	West Yorkshire Fire
5	FIRE	South Yorkshire Fire
6	FIRE	North Yorkshire Fire
7	FIRE	Humberside Fire
8	FIRE	Lincolnshire Fire
9	FIRE	Royal Berkshire Fire
10	FIRE	Buckinghamshire and Milton Keynes Fire
11	FIRE	Devon and Somerset Fire
12	FIRE	Dorset and Wiltshire Fire
13	FIRE	Tyne and Wear Fire
14	FIRE	Northumberland Fire
15	FIRE	Norfolk Fire
16	FIRE	Staffordshire Fire
17	FIRE	Hereford and Worcester Fire
18	FIRE	East Sussex Fire
19	FIRE	Durham and Darlington Fire
20	FIRE	Leicestershire Fire
21	FIRE	Nottinghamshire Fire
22	FIRE	Derbyshire Fire

The combined shared service membership for the 2020/21 financial year is shown in the following table.

	Service type	Shared service partners	2020/21 Active	2020/21 Pensioners	2020/21 B'ficiaries	2020/21 Deferred	2020/21 Undecided	2020/21 Frozen	2020/21 Total	2019/20 Total
	LGPS	W Yorkshire PF	101,080	89,346	11,523	85,696	1,678	8,985	298,308	294,447
1	LGPS	Lincolnshire LGPS	23,002	22,141	2,444	26,126	567	2,490	76,770	76,734
2	LGPS	LB Hounslow LGPS	6,550	6,722	889	7,728	195	1,382	23,466	23,875
3	LGPS	LB Barnet LGPS	8,184	7,605	982	10,032	1,503	974	29,280	0
4	FIRE	West Yorkshire Fire	989	2,095	335	278	3	2	3,702	3,703
5	FIRE	South Yorkshire Fire	593	1,132	193	134	4	10	2,066	2,020
6	FIRE	North Yorkshire Fire	608	531	89	403	1	1	1,633	1,589
7	FIRE	Humberside Fire Authority	694	921	152	269	10	2	2,048	2,036
8	FIRE	Lincolnshire Fire	580	314	60	626	26	25	1,631	1,613
9	FIRE	Royal Berkshire Fire	413	460	54	199	2	1	1,129	1,132
10	FIRE	Buckinghamshire and Milton Keynes Fire	349	399	82	349	5	5	1,189	1,144
11	FIRE	Devon and Somerset Fire	1,579	1,255	190	1027	14	14	4,079	3,982
12	FIRE	Dorset and Wiltshire Fire	1000	853	106	667	10	6	2,642	2,558
13	FIRE	Tyne and Wear Fire	531	1,245	189	99	5	0	2,069	2,053
14	FIRE	Northumberland Fire	238	318	55	212	5	2	830	836
15	FIRE	Norfolk Fire	653	481	86	294	18	1	1,533	1,478
16	FIRE	Staffordshire Fire	571	680	126	644	2	1	2,024	2,006
17	FIRE	Hereford and Worcester Fire	576	467	68	338	10	0	1,459	1,466
18	FIRE	Durham and Darlington Fire	467	532	96	228	0	0	1,323	1,257
19	FIRE	East Sussex Fire	558	549	105	353	3	4	1,572	0
20	FIRE	Derbyshire Fire	655	675	108	373	1	13	1,825	0
21	FIRE	Leicestershire Fire	530	603	82	307	2	13	1,537	0
22	FIRE	Nottinghamshire Fire	630	798	122	384	0	7	1,941	0
		Total	**151,030**	**140,122**	**18,136**	**136,766**	**4,064**	**13,938**	**464,056**	**423,929**

Pension overpayment

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

Overpayments	2020/21 £000	2019/20 £000	2018/19 £000	2017/18 £000	2016/17 £000
Annual payroll	550,077	553,082	394,445	380,862	370,147
Overpayments	440	331	626	76	315
Overpayments written off	8	27	7	7	17
Overpayments recovered	238	62	359	161	217

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

Analysis of overpayments	2020/21 No. of payments	2019/20 No. of payments	2018/19 No. of payments	2017/18 No. of payments	2016/17 No. of payments
Number of pensions paid	2,606,794	1,160,604	1,096,524	1,042,404	1,036,008
Number of cases overpaid	1564	295	365	54	479
Number of cases written off	4	36	6	29	18
Number of cases recovered	543	225	270	262	332

Fraud prevention – National Fraud Initiative

West Yorkshire Pension Fund takes part twice a year in the National Fraud Initiative (NFI). The data that is submitted by the fund includes pensioners, beneficiaries and deferred member information for LGPS and fire services pension members managed by the fund.

A summary of the five-year results of these exercises is shown below.

	Number of records sent	Number of mismatches	Number of mismatches %	Overpay-ments	Overpayments %	Possible Frauds	mismatches carried forward at 31 March
2020/21	286,429	963	0.34	4	0.00	0	1
2019/20	277,293	3,845	1.40	17	0.01	2	10
2018/19	260,387	3,339	1.28	3	0.00	2	2
2017/18	229,994	518	0.23	35	0.02	2	10
2016/17	224,122	1,425	0.64	5	0.00	4	5
2015/16	219,313	868	0.40	61	0.03	3	10

Internal audits completed during 2020/21

The internal audit function for the West Yorkshire Pension Fund is carried out by Bradford Council; each year an agreed number of planned audits are performed on financial systems and procedures across the organisation. Listed below is a summary of reviews that were carried out during the financial year 2020/21.

Transfer of custodial arrangements

This piece of work looked at the high level controls in place to manage the transfer of assets to the new custodial provider, the Northern Trust Bank. No issues were identified as a result of this audit.

Pensioners payroll

The pensioner payroll process was reviewed, the majority of these payments are made, mainly on a monthly basis, to almost 141,000 pensioners. The process was found to be well controlled and did not result in any recommendations being made.

New pensions and lump sums flexible retirements

This audit examined the calculation of the annual pension and the lump sum following a member's decision to retire on a flexible basis. The standard of control in this process was found to be good, with two recommendations for improvement being made.

Transfers out

This was an audit of the risks to the process where individuals cease to be employed by an admitted body of the West Yorkshire Pension Fund and transfer their pension benefits into a new pension scheme. The control environment was found to be of an excellent standard with no recommendations arising from the work carried out.

Review of the West Yorkshire Pension Fund 2019/20 accounts

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

New pensions and lump sums fire and rescue authorities

West Yorkshire Pension Fund provides an administration service for the payment of pensions for 19 fire and rescue authorities. This audit examined the calculation of the annual pension and the lump sum following a Fire pension member's decision to retire. The control environment was largely as required resulting in one recommendation for improvement.

Equities

Since November 2019, all quoted investments are now held under the custody of the Northern Trust Bank (previously HSBC), and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the annual audit review of this asset class found the process to be well controlled.

Treasury management

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

GLIL

This is an infrastructure investment partnership, which in addition to WYPF also includes the Local Pension Partnership, Lancashire County, Greater Manchester and Merseyside Pension funds, under a partnership agreement. The audit focused on the risks associated with investment through this partnership and resulted in one recommendation for improvement.

WYPF quality management

ISO 9001:2015

WYPF is an ISO 9001:2015 accredited service provider. All WYPF's services are quality assured using rigorous quality management systems and assessed by external assessors. WYPF first achieved accreditation in 1994, and has successfully maintained this accreditation since.

The purpose of the ISO 9001:2015 certification is to ensure that WYPF provides quality Local Government Pension Scheme administration to employers, members and beneficiaries within the scope of Local Government Pension Scheme regulations and the Firefighters' Pension Scheme order.

WYPF quality policy

- We will provide an efficient and effective service to all our scheme members by responding quickly to requests for information and advice.
- We will provide an efficient and effective service to all beneficiaries, i.e. current pensioners, dependants and deferred members and receivers of early leaver benefits by paying correct benefits on time.
- We will provide an efficient and effective service to all employers whose employees participate in a pension scheme administered by WYPF, respond quickly to requests for information, advice and training, and provide detailed guidance on implications of any new legislation affecting the scheme.

Quality management system

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

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

Information Security Management System ISO 27001

WYPF achieved accreditation to ISO27001 Information Security Management Certificate in April 2019.

This accreditation is particularly important to WYPF as it highlights our continued commitment to information security and provides assurance to our members and customers that we have the ability to protect their data and corporate reputation at all times. An ISMS (Information Security Management System) is a systematic approach to managing sensitive personal and company information so that it remains secure. It includes people, processes and IT systems by applying a risk management process.

Management and customer service key performance indicators

WYPF monitors its performance against several key performance indicators (KPIs). All aspects of our administrative structure, processes and systems are reviewed on a planned cycle.

Our key performance indicators during the year measured against our targets are shown in the table below. The table highlights critical business areas impacting on pensioners and their families takes priority.

	Work type	Total cases 2020/21	Target days 2020/21	Target cases met 2020/21	KPI target 2020/21 %	Actual KPI 2020/21 %	Actual KPI 2019/20 %
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,899,096	Paid on due days	1,899,096	100	100.00	100
2	Change of address	3,844	10	3,682	85	95.79	94.7
3	Change to bank details	1,313	10	1,241	85	94.52	87.3
4	Death grant nomination	9,134	20	9,113	85	99.77	99.4
5	Death grant payments	2,980	5	2,773	85	93.05	96.9
6	Death in retirement	251	10	223	85	88.84	93.9
7	Deferred benefits	3,742	35	3,617	85	96.66	97.2
8	Deferred benefits into payment actual	3,209	5	2,832	90	88.25	80.8
9	Divorce quote	463	20	423	85	91.36	96.2
10	Life certificate received	148	10	119	85	80.41	96.7
11	Monthly posting	5,091	10	4,866	95	95.58	96.8
12	Payroll changes	1,990	10	1,965	85	98.74	87.3
13	Pension estimate	4,653	10	4,481	75	96.30	83.4
14	Refund payment	1,909	10	1,875	95	98.22	98.6
15	Refund quote	2,464	35	2,449	85	99.39	97
16	Retirement actual	3,157	3	2,927	90	92.71	92.9
17	Transfer out payment	217	35	195	85	89.86	92.2
18	Transfer-in payment	548	35	520	85	94.89	96.5
19	Transfer-in quote	801	35	798	85	99.63	99.7
20	Transfer-out quote	1,435	20	1,093	85	76.17	92.9

Jowett vehicles at Bradford Industrial Museum

Cost per member

Cost per member	West Yorkshire Pension Fund	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	Average LGPS
	2020/21 Financial Statement	2019/20 Gov't data SF3	2019/20 Gov't data SF3	2019/20 Gov't data SF3	2019/20 Gov't data SF3	2019/20 Gov't data SF3
Admin cost per member	£13.42	7th	£16.23	£0.74	£118.78	£23.50
Investment cost per member	£17.19	1st	£22.83	£20.68	£774.27	£278.76
Oversight and governance	£2.92	5th	£2.88	£0.00	£52.64	£12.21
Total cost per member	**£33.53**	**1st**	**£41.94**			
Lowest / Highest / Average (not a sum of figures in the table above)				***£41.94***	***£829.30***	**£245.41**

2020/21 WYPF cost per member

The 2020/21 annual cost of administering the West Yorkshire Pension Fund per member is £13.42, investment management £17.19, and oversight and governance £2.92 giving a total management cost per member of £33.53. These figures compare favourably with the average cost for authorities in the Ministry of Housing Communities & Local Government (MHCLG) – SF3 data collection results for the previous year shown in the table above.

2019/20 administration cost per member

From the latest data provided by government, WYPF's pension administration cost of £16.23 per member is the 7th lowest amongst LGPS fund in England and Wales for 2019/20. The lowest cost is £ 0.74 and the highest is £118.78.

2019/20 investment management cost per member

WYPF's investment management cost is the second lowest cost per member in the latest result at £22.83; the lowest cost is £20.68 and the highest £553.02. The reason for this low cost is that WYPF uses directly employed staff to manage investments and a centralised office support for both investment management and pension administration.

2019/20 oversight and governance cost per member

On oversight and governance, WYPF's is the 5th lowest cost at £2.92. The lowest is £0 and the highest is £52.64.

2019/20 total cost per member

WYPF has the lowest total cost per member (administration, investment, and oversight & governance) at £41.94. The national average for the LGPS in 2019/20 is £245.41 and the highest is £829.30.

Staff numbers

	2020/21 FTE	2019/20 FTE	2018/19 FTE	2017/18 FTE	2016/17 FTE	2015/16 FTE
Investments	23.91	22.7	22.1	21.6	19.6	19.6
Service centre staff	52.44	54.8	59.5	58.1	54.7	53.2
Payroll	17.3	16.1	17.6	19	16.6	17.6
ICT/UPM staff	14.43	15.4	14.4	13.7	12.6	12.6
Finance staff	11.81	12	14.5	16	14	14
Business support staff	27.39	28.4	28.8	27.4	26	24.1
Technical	4.95	4.9	4.9	3.9	4.5	4.6
Total	**152.23**	**154.3**	**161.8**	**159.7**	**148**	**145.7**

Membership trends over a five-year period

Fund membership continues to grow, with a total membership, including undecided leavers and frozen refunds, of 298,307 as at 31 March 2021. Active members are employed by 451 separate organisations.

	2020/21	% change	2019/20	% change	2018/19	% change	2017/18	% change	2016/17
Active members	101,079	0.80%	100,281	0.20%	100,060	-1.90%	102,017	0.10%	101,881
Pensioners	89,346	4.72%	85,323	7.20%	79,583	5.60%	75,363	1.00%	74,630
Beneficiaries	11,523	1.13%	11,394	-3.40%	11,794	2.50%	11,504	-1.70%	11,704
Deferred members	85,696	-1.30%	86,821	-2.70%	89,241	2.10%	87,414	4.40%	83,763
Undecided leavers	1,678	33.60%	1,256	-29.00%	1,770	-32.50%	2,623	-54.50%	5,768
Frozen refunds	8,985	-4.13%	9,372	3.40%	9,066	20.10%	7,550	6.70%	7,074
Total	**298,307**	**1.31%**	**294,447**	**1.01%**	**291,514**	**1.76%**	**286,471**	**0.58%**	**284,820**

Admissions to the fund

Employees joining the fund were as follows.

	2020/21	2019/20	2018/19	2017/18
Employees joining with no previous service	20,306	21,153	21,283	21,692
Employees with transfers from other local government funds	23	42	31	25
other pension schemes	249	415	245	329
Total	**20,578**	**21,610**	**21,559**	**22,046**

Withdrawals from the fund

Benefits awarded to members leaving employment were as follows.

	2020/21	2019/20	2018/19	2017/18
Members awarded immediate retirement benefits	3,151	2,801	2,754	2,865
Benefits awarded on death in service	117	94	106	88
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	5,602	7,560	9,875	9,192
Total	**8,870**	**10,455**	**12,735**	**12,145**

Leeds waterfront

Section 6
Investment Report

Investment Advisory Panel – operational review

The 2020/21 year was certainly very different for all of us, with the impact of Covid-19 restrictions bringing changed methods of working for the functional aspects of West Yorkshire Pension Fund. Zoom/ Teams/ Webex meetings rapidly became the norm, which allowed the investment managers to keep on top of some very volatile markets, particularly in the early stages of the pandemic. This technology also enabled the Investment Advisory Panel (IAP), the Joint Advisory Group (JAG) and the Local Pension Board (LPB) to continue to function effectively. We all look forward to being able to meet again face to face, but now that video meeting technology has been proven to work well it is to be hoped that this will remain part of being able to communicate more effectively in the future.

Appointment of external advisers

The year also saw the appointment of two new external members to the Investment Advisory Panel, Marian George and Philip Hebson. Along with Mark Stevens, they bring a complementary range of skills from their backgrounds within investment management and the LGPS. During the course of their induction into the working of the fund, Marian and Philip had a number of detailed meetings with the internal team. These provided an opportunity for them to provide some thoughts about the ways and means in which the fund functions to ensure that current best practice is being followed in an appropriate way. In some respects, these aren't new messages as such, with much work already in progress to strengthen and enhance the fund's governance and operational capabilities.

Governance

The Scheme Advisory Board has been building its Good Governance Project since 2018 with the objective of strengthening LGPS governance going forward. The Phase III Report was published in February, including an Action Plan. Part of this states that the administering authority must publish an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds, as per statutory Guidance. In preparation for this a review of the effectiveness, roles and responsibilities of the IAP, the JAG and the LPB should be undertaken, with the objective to ensure that the work that they do properly complements each other while retaining their requisite independence. In simple terms this will check the remit of each, so that the IAP remains focused on investments issues, the JAG on administrative issues and the LPB on their fund oversight role (as defined by regulations). A revised agenda structure, minutes, and developing the scope of the business/action plans would improve the effectiveness of the advisery groups.

As is often the case the focus tends to drift from being strategic towards looking at the minutiae, such as individual stock selection. While interesting, this is not the role of an oversight group. Looking at the IAP in particular, the content of reports will be reviewed to focus on the key issues and deliverables, with a greater emphasis on future strategy and development of the investment portfolios.

Investment risk register

As identified at the July JAG meeting, the fund does not currently have an investment risk register. Preliminary work has commenced on creating such a register and a draft format was shared at the training session held on 18 March 2021. This is subject to further refinement and will then be reviewed and updated at each future meeting of the IAP.

Identification and appropriate management of risk is a key responsibility for all aspects of the Fund and as such attracts attention from the external organisations that regulate and monitor the fund within the wider LGPS. On a wider basis, keeping up to date with ever changing rules and regulations becomes an ever increasing burden for the fund on both the administration and investment operations. To give an idea of which bodies are involved with this external oversight, here is a list taken from the recent training session on risk:

- Ministry of Housing, Communities and Local Government (MHCLG)
- The Pensions Regulator (TPR)
- The Scheme Advisory Board (SAB)
- Markets and Competition Authority (MCA)
- Financial Conduct Authority (FCA)
- The administrating authority (City of Bradford)
- Employers, the press, pressure groups, HM treasury, etc.

Training

Across the LGPS there is an increased focus on ensuring that those involved with the management and monitoring of individual funds have the necessary training to effectively fulfil their duties. This is often referred to as 'Skills and Knowledge' training, and a logged programme of training is already required for members of the Local Pension Board. The Phase 3 Good Governance report, published in February 2021 recommends that this defined level of training should be also made mandatory for others involved in the key functions, in WYPF's case the IAP and JAG.

Many funds have historically made do with 'just in time' training at meetings and voluntary attendance at relevant conferences, such as those organised by the LAPFF, LGC and the PLSA. The Local Government Association (LGA) and The Chartered Institute of Public Finance and Accountancy (CIPFA) provide a regular programme of training, which alongside structured training to take account of an individual fund's characteristics can form a good knowledge base for new and existing members. With an ever-changing scene, both with rules and regulations and within investments, Continuing Professional Development (CPD) has become increasingly important, even for longstanding and knowledgeable members. In addition to 'external' training, there needs to be a programme of structured internal training focused on WYPF, potentially provided by the advisers supplemented by other specialists. While being one of the few LGPS funds with an internal investment management function is a desirable attribute, members need to understand how this works in practice and to be able to effectively challenge the team on performance and strategic issues. Good training adds value to the function of meetings, as members will understand the key issues that they need to focus on that are relevant to the fund, enabling well informed decisions to be taken. External review bodies will wish to see evidence of best practice in this area.

Review of strategic asset allocation

The strategic asset allocation review was completed during the year and this has initiated a number of projects, as follows:

1. The reduction in allocation in equities to fund an increase in the allocation to alternatives has provided the opportunity to review the allocation to geographic regions. Relative to global weightings and what is seen as good practice elsewhere the fund has retained a relatively high weighting in UK equities. Work is now in progress to establish appropriate strategic weights for each region which will then need to be reflected within the fund's benchmark monitoring. It should be stressed that establishing strategic targets does not mean that they should be slavishly adhered to but forms a means for the tactical position of the regional weightings to be considered and measured against.

2. There will be a continuing requirement for some investment income to be available to form part of the cash flow required to pay pensions. Work is being undertaken to identify the most appropriate assets to meet this requirement, which will form a defined income 'sleeve' within the portfolios.

3. Fixed income investments will form a major part of the income sleeve and as such the way in which these investments are managed will be reviewed. The aim will be to ensure an appropriate structure maximises the effectiveness of the total fixed income portfolio – as a source of income as well as introducing a diversified global element focussed on total return.

4. Positive ESG and climate change considerations have formed part of the ethos of West Yorkshire Pension Fund for longer than most other funds within the LGPS. However, thinking in these areas is evolving ever more rapidly and the fund will be taking steps to gain a greater understanding of the risks that face our investments against various scenarios. The appointment of a dedicated ESG Manager will assist greatly in establishing the facts surrounding our investments, such as carbon exposure, thus enabling informed decisions to be made about future investment strategy incorporating appropriate ESG and climate change considerations. This would include a review of benchmarks that will accurately reflect a thematic investment strategy. This work may well require specialist external input, certainly at the initial stages.

Review of staffing resources

There has been a long running review of staff resources required for the effective management of the fund investments. In the advisers' view, this should be a key focus for the fund and the oversight groups. It is good to be able to report that progress is now being made with the recruitment process.

It is apparent that with the increased workload seen in certain areas of the investment function, further recruitment of experienced personnel will be required. This would include the fixed-income area as referred to above, where a range of specialist skills will be required, some of which are currently not covered by the internal team. Further resource will also be required within the alternatives team, as the scale and range of investments there increases over time, reflecting the increased commitment within the strategic asset allocation review. This would include enhanced due diligence skills, both operational and legal. It should be noted that the shared resource available with Northern Pool does help to some degree, but the fund needs its own capabilities to ensure that any proposed investments are properly risk assessed. The advisers have some concerns that sub-optimal reporting lines within the administrating authority may lead to a lack of focus on this key fund resource.

Northern Pool

While on the subject of the Northern Pool, there is a continuing requirement to monitor the effectiveness and benefit that the Pool brings to West Yorkshire Pension Fund, particularly with regards to GLIL (Infrastructure) and Northern Private Equity Partnership (NPEP). While the relationship that the fund has with its Pool is very different to that of most other funds with their respective pools, a focus on what benefit the fund derives from the Pool is important, from a financial and resource orientated perspective.

Having a good communications strategy helps to ensure a good flow of appropriate information to all stakeholders, both internal and external. While there is already a healthy amount of information available on the fund's website, more could be done, particularly as we further develop our ESG and climate change investment strategy. This will enable members and officers to publicly display what our strategies are and over time to be able to demonstrate the outcomes from those strategies.

Conclusion financial year 2020/21

In summary; the fund is in good shape, but we are in a period of quite rapid development with internal and external influences needing to be managed effectively. There is a lot of work in progress, with the objective to ensure that the fund continues to be not only one of the largest LGPS funds, but also one of the best.

April 2021

Piece Hall, Halifax

Section 7
Investment Management and Strategy

Investment management and strategy

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

The latest government LGPS data released in late 2020 for 2019/20 financial year shows the fund's investment management costs were £22.83 (£16.53 in 2018/19) per scheme member. Our cost per member is the second lowest for all local authority pension funds, and compares exceptionally well with the average LGPS cost for 2018/19 of £278.76 (£189.59 in 2018/19).

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

Volatility in markets took a deep negative turn due to Covid-19 at the end of the 2019/20 financial year January to March 2020. Most of the losses were regained by end the 2020/21 financial year. Experience of the last 12 months confirms increased volatility in markets and in the immediate future. More detail is provided in the following sections. The fund holds 2.9% in cash, which gives us increased manoeuvrability to support the fund's strategy in a very dynamic market.

Investment performance

In 2020/21 our investments made a positive return of 23.2%. This shows that we have recovered all the financial losses of the 2019/20 financial year brought about by Covid-19.

Our medium- to long-term performance is as follows - three years 6.8% (77th percentile), five years 9.2% (rank 61st percentile), ten years 7.7% (80th percentile), twenty years 7.0% (32nd percentile) and thirty years 8.5% (25th percentile).

The fund is focused on long term investment performance and strategy. The fund has a very different asset strategy to that of the average LGPS fund. The key difference is our relatively high commitment to equities and the commensurate underweighting of other assets. During recent years this would have had a positive impact on the fund's performance relative to its peers because equities returns were considerably ahead of bonds.

Voting policy

Wherever practical the fund votes on resolutions put to the annual and extraordinary general meetings of all companies in which it has a shareholding. The basis of the voting policy is set out in the Investment Strategy Statement. Full details of the voting policy are also available on the fund website, as are details of the fund's voting activities at companies' annual general and extraordinary general meetings. The fund has appointed Pensions & Investment Research Consultants Ltd (PIRC) to manage voting rights, ensuring full engagement on governance and voting on all resolutions.

Custody of financial assets and stock lending

The Northern LGPS Pool appointed custodian is Northern Trust. Northern Trust provides custodial services to the fund and is responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaims, stock lending, general custodial services and other administrative actions in relation to all the fund's listed fixed-interest and equity shareholdings, with the exception of private equity and properties. All the three funds in the Northern LGPS Pool - Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund, are now serviced by Northern Trust.

Investment strategy March 2021

Asset class 31 March 2021	Book cost	Market value	Weighting	Fund specific benchmark	Control range
	£m	£m	%	%	%
Total equities	**81,045**	**10,875**	**67.0**	**65.0**	**57.5–72.5**
UK equities	2,747	4,696	28.9	35.0	30–40
Overseas equities	78,298	6,179	38.1	30.0	25–40
N America	1,054	2,034	12.5	8.0	3–13
Europe (Ex UK)	2,212	1,800	11.1	10.0	5–15
Japan	55,793	799	4.9	4.0	1–7
Asia Pacific (Ex Japan)	7,928	566	3.5	3.0	0–6
Emerging markets	11,311	980	6.0	5.0	2–8
Total bonds	**9,754**	**2,105**	**13.0**	**17.0**	**14–20**
UK govt. bonds	548	550	3.4	5.0	2–8
UK govt. index linked	480	632	3.9	5.0	2–8
UK corporate bonds	506	509	3.1	4.0	1–7
Global bonds	8,220	414	2.6	3.0	1–5
Total alternatives	**1,554**	**2,157**	**13.3**	**11.0**	**09–13**
Hedge funds	52	106	0.7	0.0	0–4
Private equity funds	400	908	5.6	5.0	3–7
Northern P equity pool	112	130	0.8		
Private infrastructure	364	408	2.5	4.0	2–6
GLIL infrastructure	285	315	1.9		
Listed alternatives	341	290	1.8	2.0	0–4
Property	**494**	**624**	**3.8**	**5.0**	**3–7**
Cash	**1,515**	**464**	**2.9**	**2.0**	**0–5**
Total	**94,362**	**16,225**	**100.0**	**100.0**	

Section 8
Investment Markets

UK economy and equity market

The extraordinary events of the last 12 months marks 2020 as the year the fall in UK economic growth rivalled the 1920s depression. The UK economy suffered a shock of the magnitude perhaps only seen once in a century at the start of 2020 due to the coronavirus pandemic.

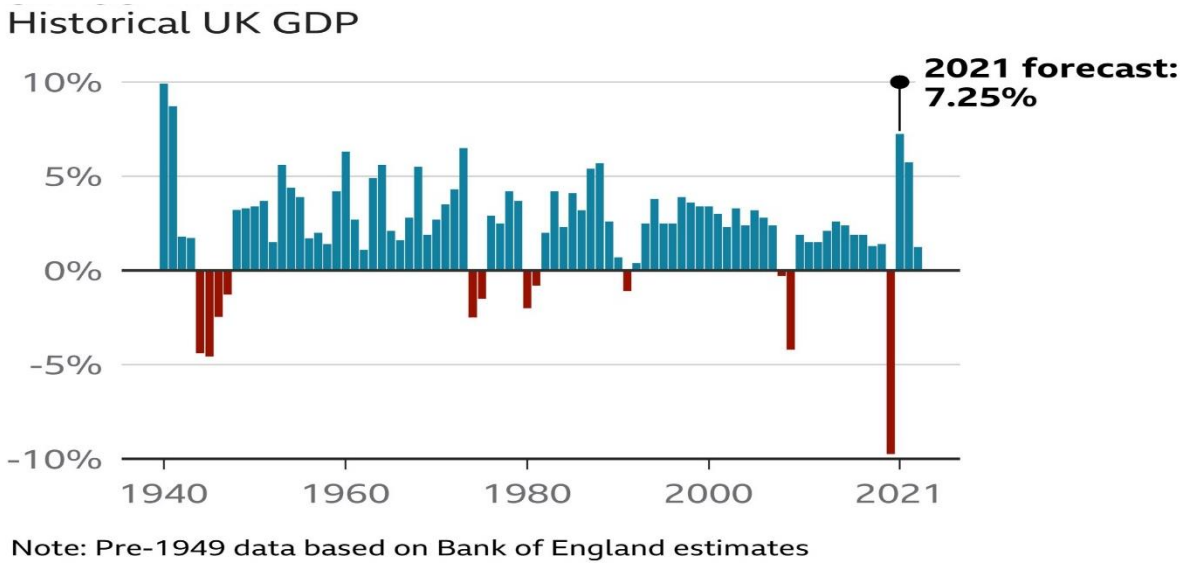
The first lockdown spanning the summer of 2020 caused a catastrophic fall in economic activity as schools, shops and businesses closed and people were told to stay at home.

The UK government introduced an unprecedented package of financial support for businesses and individuals, including business grants and loans, a job retention scheme paying 80% of wages, and several tax relief or payment extensions. More than a million new claims for universal credit were made in the first lockdown.

The UK endured a further two lockdowns before the high take-up of coronavirus vaccination brought infection rates and hospital admissions under control. With the UK on course to offer all adults the vaccine by the end of July 2021 and almost 70% already vaccinated the recovery looks to be lasting.

The Office for Budget Responsibility made the following forecasts based on an assumption that the current lockdown would last for three months.

UK economy set to grow at fastest rate since WW2



Source: Bank of England

The high vaccination rate and the government support has avoided what could have been a worse and longer lasting contraction in the economy. The UK economy now looks likely to grow at the fastest rate since World War Two.

As new variants of the virus emerge worldwide it is imperative that all countries are able to vaccinate their populations. The UK pharmaceutical company AstraZeneca is at the forefront of this by offering their vaccine at cost.

A shift in shopping habits

As the UK entered lockdown, food and general retailers had to adapt quickly to meet the change in shopping needs. Supermarkets reported strong demand for basic household items. Stores introduced dedicated shopping hours for key workers and the vulnerable members of society. Limits were imposed on certain items such as cleaning products and hand sanitisers to curb stockpiling.

Supermarket have employed thousands of extra staff (many of them furloughed from their regular jobs) to assist in home delivery and online order fulfilment, and have worked hard to keep prices as low as possible as demand increased. Government

grants issued to businesses at the start of the pandemic have since been returned by a number of large retailers, amounting to millions of pounds.

Clothing and general retail suffered more than food as non-essential stores were forced to close completely. A number of companies collapsed into administration, including Debenhams, Paperchase and Arcadia Group. Some popular brand names (such as TopShop) were bought by online specialist retailers, but hundreds of high-street stores will not reopen. Thousands of job losses were seen across the general retail sector in 2020, the majority of which were younger people on low incomes.

UK leaves the European Union

The UK left the European Union on 31 December 2020 after reaching a deal just one week earlier. The deal is designed to allow frictionless trade between the UK and EU whilst regaining sovereign independence.

In summary this means leaving the customs union, EU regulation and legislation, freedom of EU citizens to live and work in the UK and vice versa and regaining control of UK fishing waters. However, Northern Ireland finds itself on the EU side of the customs border. The deal seems to be focused on goods rather than services, which are the driving force behind the UK economy, and the EU retains the option to impose tariffs should it decide that the UK is not operating a level playing field on trade.

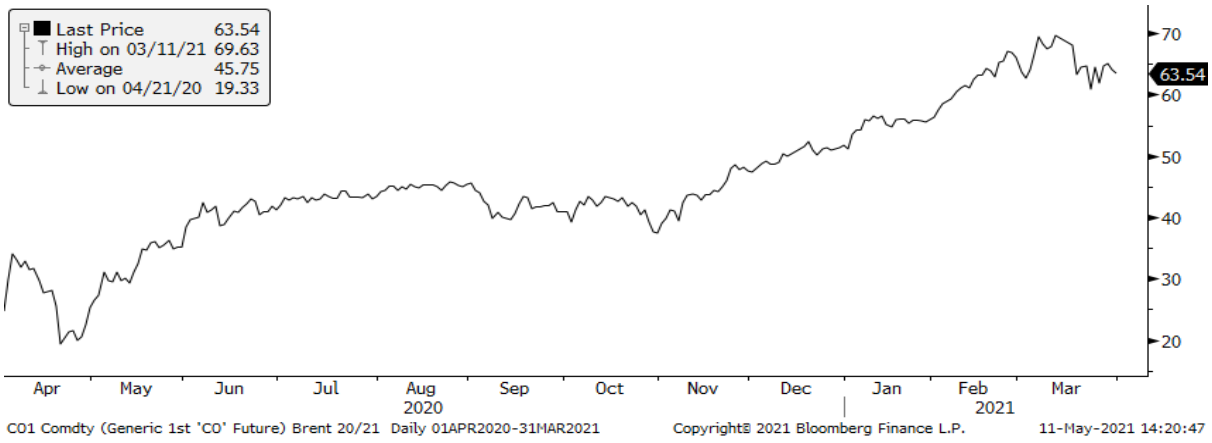
There are significant challenges ahead in making the deal work for the UK and a lasting impact on the UK economy but at present the coronavirus pandemic eclipses all other factors.

Oil price collapse and recovery

As the danger of Covid19 became increasingly evident and stock markets around the world began to fall, there were corresponding drops in value in the commodities and metals markets. This coincided with a disagreement between Saudi Arabia and Russia over oil production, which, added to the existing concern over the pandemic, caused the oil price to fall dramatically. The price of Brent oil fell to a low of $19 in April, while the oil price in the USA was negative for a short time.

Oil prices started to slowly recover as demand from China stabilised, and remained around $45 for the next six months. In November the price of Brent oil began to rise again as some countries started to lift restrictions, by the end of March the oil price was £63.

Brent Oil price USD per barrel 12 months to 31 March 2021



In the UK, the largest traditional Oil companies, BP and Royal Dutch Shell, have set out plans for reducing carbon emissions and increasing production of renewable energy, in line with the Paris Agreement. As an example, Royal Dutch Shell is one of the largest providers of renewable electricity to domestic users in the UK through Shell Energy. BP is expanding the existing network of electric vehicle charging stations across China and other regions, including Britain. There is still a great deal of work to be done to lower emissions, but work is well underway now and will accelerate in the coming years.

West Yorkshire Pension Fund continues to engage with the large oil producing companies, both domestic and overseas, to encourage a faster transition to renewable energy and net zero carbon emissions. The companies welcome this engagement, and hold regular calls and webcasts with shareholders to provide updates on their plans.

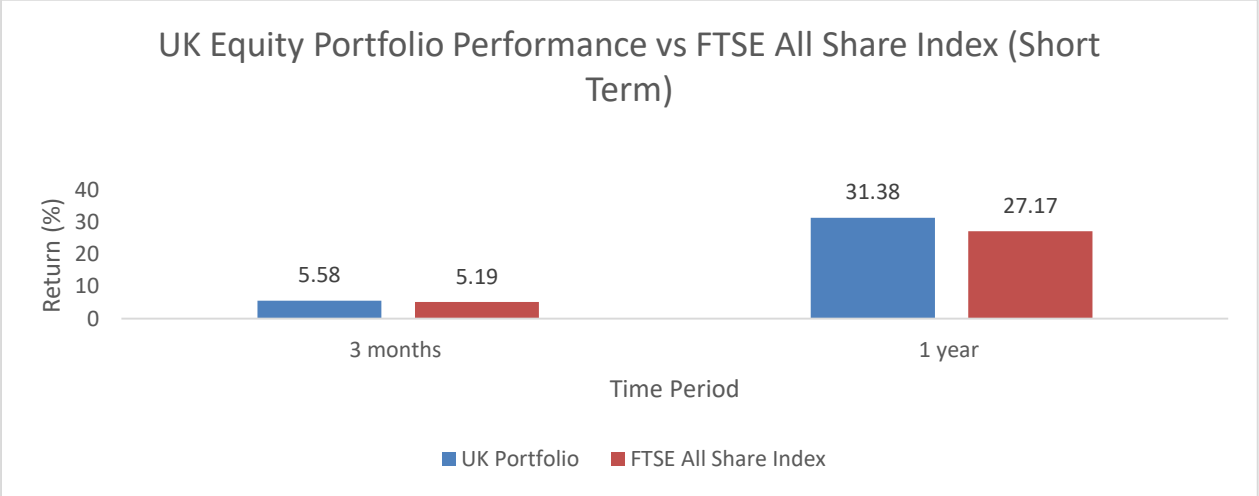
Dramatic fall in UK equity market followed by impressive recovery

The UK equity market plunged 35% during March 2020, wiping out the gains made over the previous decade. As each lockdown reversed the market surged, a year later almost all of the fall has been recovered.

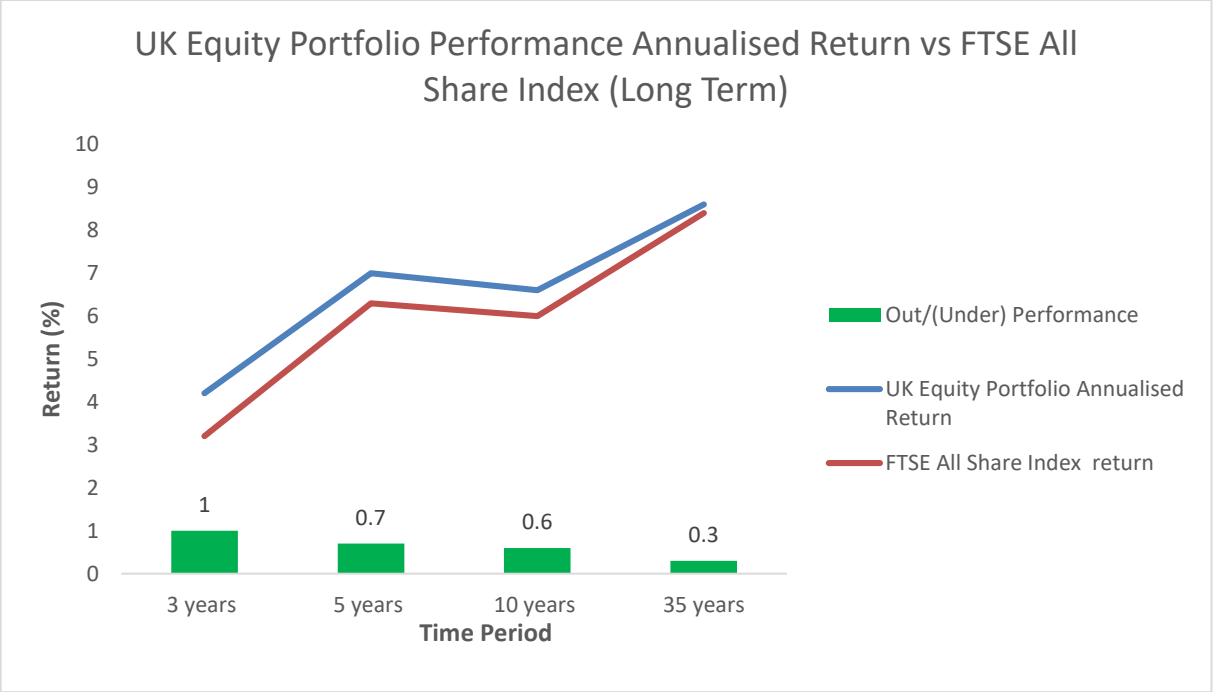
FTSE All Share Index over last 10 years

WYPF UK equity portfolio outperformance

The in house team of investment managers has again outperformed the UK equity market. Over one year the portfolio had a stellar performance returning 31.38% compared to the market return of 27.17%



This impressive return builds on a consistent long term record of out-performing the market. The in house team use a range of investment styles to benefit from growth, value and income, thereby avoiding the pitfalls of investment fashions. Long term objectives are embedded as the team buy to hold stock over a long horizon. This also avoids performance erosion due to excessive transaction costs.



Fund cash flow and returns affected by the pandemic

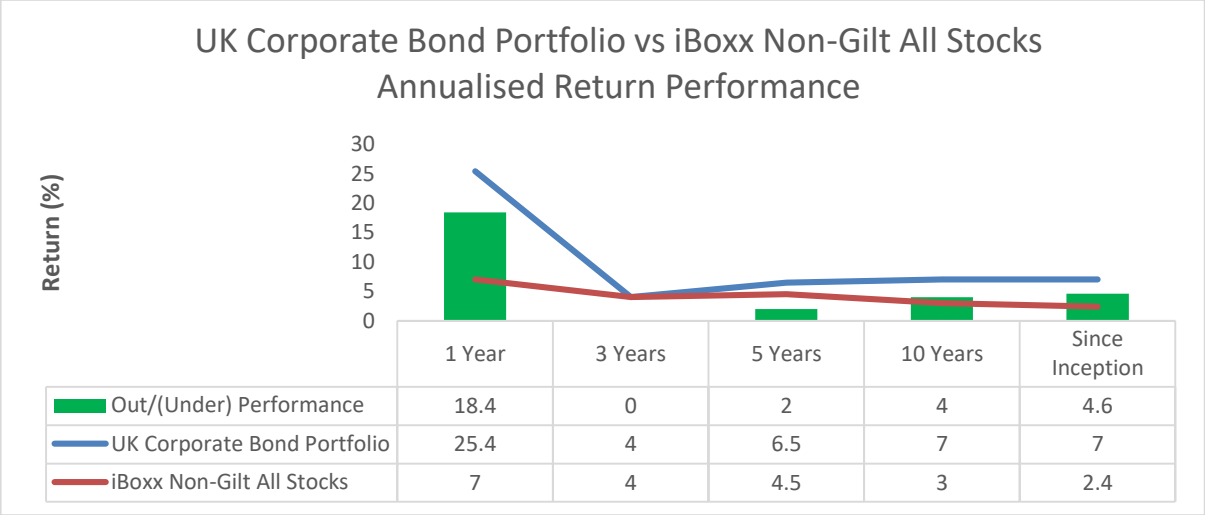
As company revenues reduced to almost zero in some cases while costs continue to be borne, cash conservation became a priority. Cost cutting where ever possible resulted in cancelling, reducing, or deferring dividend payments. Furthermore, some companies raised cash by issuing more shares and / or debt.

This had an impact on the WYPF cash flow. The fund receives a significant level of income from dividends, over £200m each year from the UK equity portfolio alone. Initially income fell by almost 50 per cent however this is now near to normal levels.

UK corporate bonds

The UK corporate bond portfolio was valued at £516m at the end of March 2021, representing 3.2% of the total fund. The portfolio is well diversified across counterparties, seniority ranking and investment grades. 1.7% of the fund is invested in investment grade bonds and 1.5% of the fund is invested in non-investment grade bonds.

The UK corporate bond fund has consistently shown strong outperformance compared to the benchmark over all periods since inception. The performance over the last year has been outstanding, reflecting the very strong recovery of high yielding corporate bonds in the portfolio.



In the initial stages of the pandemic many corporate bonds were priced at deep discount to par, mainly due to market shock and uncertainty. Almost all have now recovered to pre pandemic market prices.

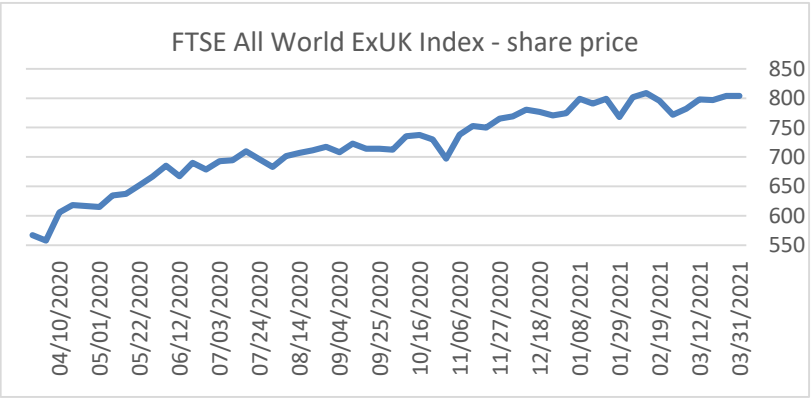
In contrast to equities, income from bonds remained unchanged during the market shock in 2020. None of the UK corporate bonds defaulted on coupon payment or maturity as a result of the pandemic.

International investment markets

This financial year will go down in history as the year of Covid-19, a dreadful disease that has claimed an estimated three million lives and, according to the IMF, is the 'worst crisis since the Great Depression', costing the global economy 4.4% of GDP and an estimated $28 trillion of lost economic activity.

To prevent the spread of the disease through social contact, countries throughout the world forced their populations to stay at home, close businesses and halt international travel. Governments have borrowed heavily to provide trillions of dollars worth of stimulus to support those thrown out of work and to aid the economic recovery. The story of the pandemic is ongoing with important developing economies, such as India, continuing to suffer from the effects of the disease. Meanwhile other developed economies, notably the UK and USA, are vaccinating their populations and progressively reopening their economies.

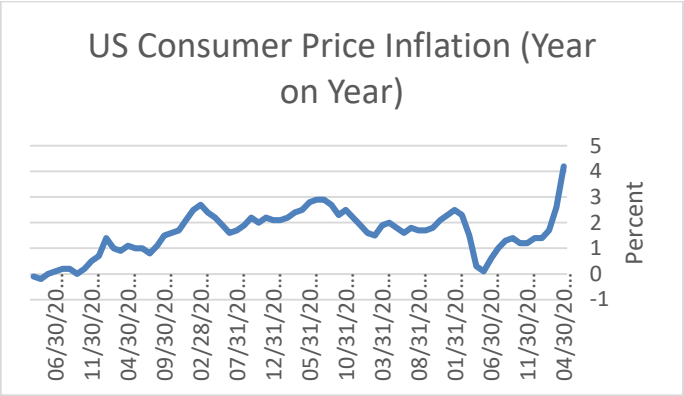
The impact on different industries has been varied. With people forced to stay at home, high street retailers had to close their doors whilst internet-based businesses, such as Amazon, boomed. Understandably, world stock markets fell heavily at the start of the crisis in March 2020, but by April began to recover, rising strongly and steadily by 40% over the year to March 2021. There was a remarkably strong bounce back, driven first by the success of online technology companies, and later by optimism of a return to normality following the rollout of effective vaccines. The latter period saw some of those industries most affected by the early lockdowns recover and overtake the technology companies that had remained open throughout the pandemic.



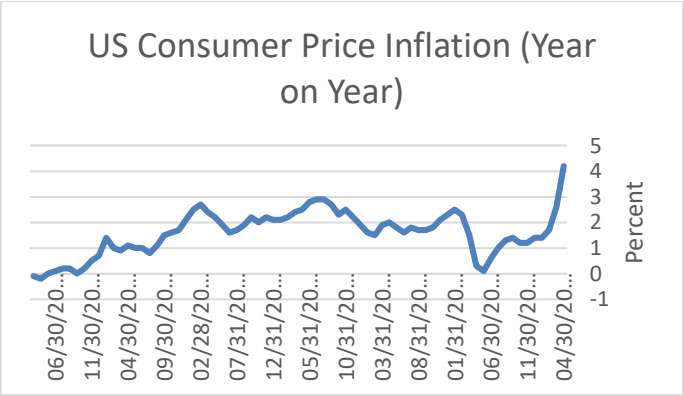
Source: Bloomberg

Inflation

The global lock down has led to disruption in the production of many items, such as micro-chips, leading to a global shortage. As businesses reopen, demand for such products has overtaken supply and led to price rises. Similarly demand for commodities has risen strongly, with copper rising in price by 83% over the year. This has led to a short term spike in inflation, as illustrated below.



Source: Bloomberg

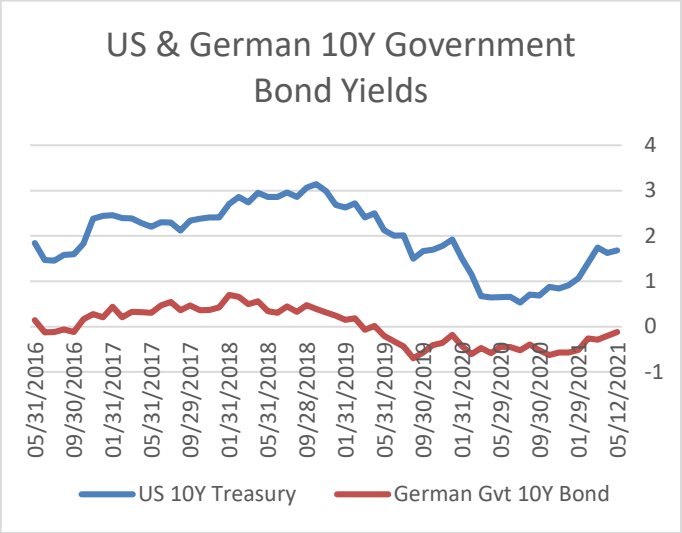


Source: Bloomberg

Most central banks, such as the US Federal Reserve, believe this spike in inflation will be temporary and expect it to stabilise at their target rate of 2% per annum, influenced by their policy efforts. However, pent up demand from consumers and corporations will continue to drive demand and some commentators are concerned that inflation will be difficult to control once it takes hold.

Bond yields

This fear of inflation impacted the bond markets causing a significant sell off to occur during March 2021 resulting in a sharp uptick in bond yields toward the year end as shown below.



Source: Bloomberg

Since the market crash of 2000 and the Great Financial Crisis of 2008, central banks and governments have pursued accommodative monetary policies intended to keep interest rates low in order to stimulate the economy. This policy has succeeded in driving bond yields down to all-time lows and, as intended, borrowing costs remain low too. This has helped stimulate the economy but has raised asset prices which now sit at relatively high levels, with the FTSE All World ex UK index currently on a price to earnings ratio of 26 against a ten-year average of 19.

Equity markets

Over the year, equity markets performed very strongly, reaching an all-time high by 31 March 2021. This strength was supported by low bond yields and predicated on the belief corporate earnings would recover from the impact of Covid-19 and move higher than pre-pandemic levels. However, actual earnings are yet to reach that milestone and consequently equities appear to be expensive relative to current earnings. Valuations will appear to be more reasonable if expectations are realised, but if the IMF is to be believed, earnings are not likely to recover fully this year suggesting equity market valuations may be overly optimistic.

Alternative investments

Private markets

As at 31 March 2021, the private market equity and infrastructure portfolio accounted for 10.0% (£1,606m) of the West Yorkshire Pension Fund. In addition, at year end, undrawn commitments amounted to a further £1,237m. This included £145m committed to NPEP (see below for explanation) which had not yet been deployed to underlying private equity investments. During the year, the overall private market portfolio experienced capital calls of £308.6m and distributions of £259.6m, resulting in a net investment of £48.9m.

Private equity

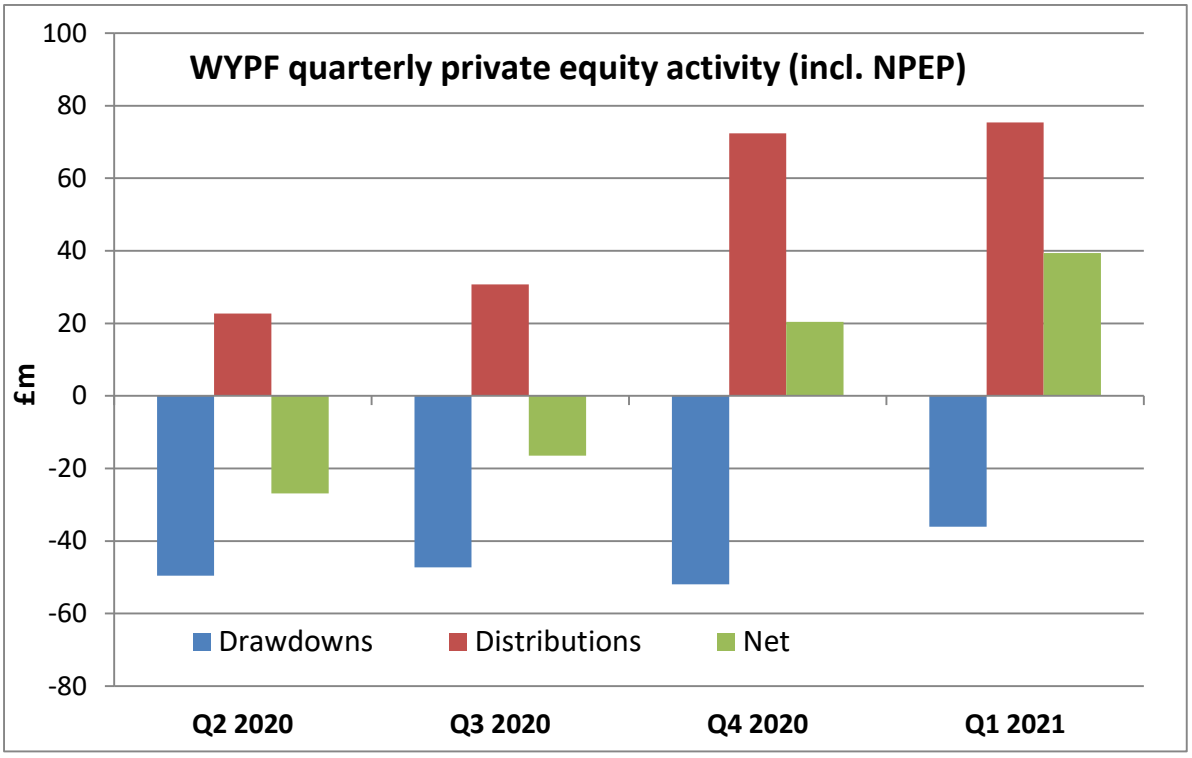
In Q2 2020, with the onset of Covid restrictions, the value of private equity deals halved, before rebounding strongly from Q3. For the financial year to 31 March 2021, the number of private equity deals globally increased by approximately 2% on the prior year. The total deal value increased by approximately 4% (Preqin). Average deal sizes remained approximately the same as the prior year. The WYPF private equity portfolio experienced a much bigger increase in buyout activity with an increase in drawdowns of 21%, compared with 4% for the market overall. This increase in activity was driven by WYPF's commitment to NPEP, which saw activity increase nearly three-fold on the prior year. Excluding commitments made via NPEP, drawdowns declined 16%.

Managers were predominantly focussed on acquiring B2B and IT companies. In the US, managers opportunistically invested in sectors such as tech and healthcare, leading to increased valuations. In Europe, managers favoured lower-returning but well-positioned companies with capacity for bolt-on acquisitions.

The value of global private equity backed exits for 2020/21 was 35% higher than the previous year. It was, however, a year of two halves: 1H exits declined 11%; 2H exits increased 104%. WYPF's experience was directionally similar, but different in magnitude: 1H -35%, 2H +81%. Overall, the WYPF portfolio saw distributions that were 23% higher than the previous year. Increased exit activity and a higher level of distributions normally lead to a robust fundraising market. However, for the year to 31 March 2021, the number of funds closed declined by 14% globally, and capital raised declined by 9%. This aberration was perhaps a function of a public markets sell-off at the start of the year, causing an automatic increase in private market allocations; thereby moderating investor need to increase commitments.

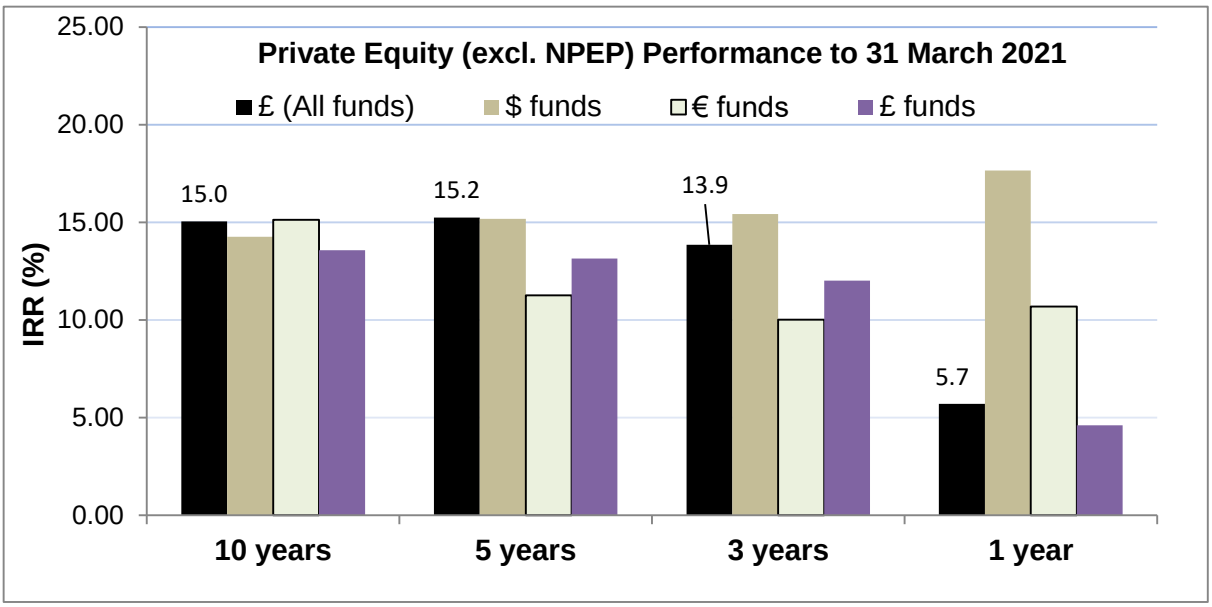
During the year, there was a significant increase in the number of Special Purpose Acquisition Companies (SPACs) coming to market. They offer an alternative route to public listing for privately held companies. Regulatory changes have eased the issuance of SPACs in the US, and there is an expectation that private equity could see more liquidity events via this route in 2021.

As reported previously, the Northern Private Equity Pool (NPEP) makes commitments to underlying private equity funds on behalf of its founding partners: West Yorkshire Pension Fund, Merseyside Pension Fund and Greater Manchester Pension Fund. NPEP is a joint-venture limited partnership akin to a typical private equity structure. During the year, NPEP received a further £325m in commitments from its founding members, including £90m from WYPF. In total, WYPF has now committed £595m to NPEP. Further annual commitments are expected from all founding members. WYPF's undrawn NPEP commitment amounted to £479.5m at year end.



For the year to 31 March 2021, net proceeds received from WYPF's private equity portfolio (including NPEP) amounted to £16.4m overall, compared to £11.6m in the prior year. Meanwhile, the portfolio increased by £35m from £868m to £903m. As a proportion of the WYPF, the weighting of the private equity portfolio decreased from 6.6% at the start of the financial year to 5.6%. This was due to a strong recovery in public equity markets relative to private equity, where valuations tend to lag public markets by around three months.

Local currency performance for funds denominated in each currency, and also performance on translation into sterling, is shown below. The majority of the portfolio is USD denominated (61%), whilst euro and sterling denominated funds represent 19% and 20% respectively.



WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. For the 12 months to 31 March 2021, the portfolio returned 5.7%. Sterling returns were impacted by a weaker USD (-12.0%) and a weaker euro (-3.9%). Overall, this gave an overall currency effect of -8.0%. For the 10-year period to 31 March 2021, the private equity portfolio in sterling has delivered annualised returns of 15.0%.

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

Private equity fund	WYPF Commitment (£m)
Elysian Capital Fund III	10
Tenzing Private Equity II	15
Growth Capital Partners Fund V	15
Key Capital Partners IX	10
Northern Private Equity Pool (NPEP)	90
Total	**140**

During the year, the NPEP investment vehicle made four primary fund commitments with four different managers, three of which are new manager relationships for WYPF. As at 31 March 2021, un-drawn commitments, including WYPF's share of underlying NPEP commitments, amounted to £661.2m.

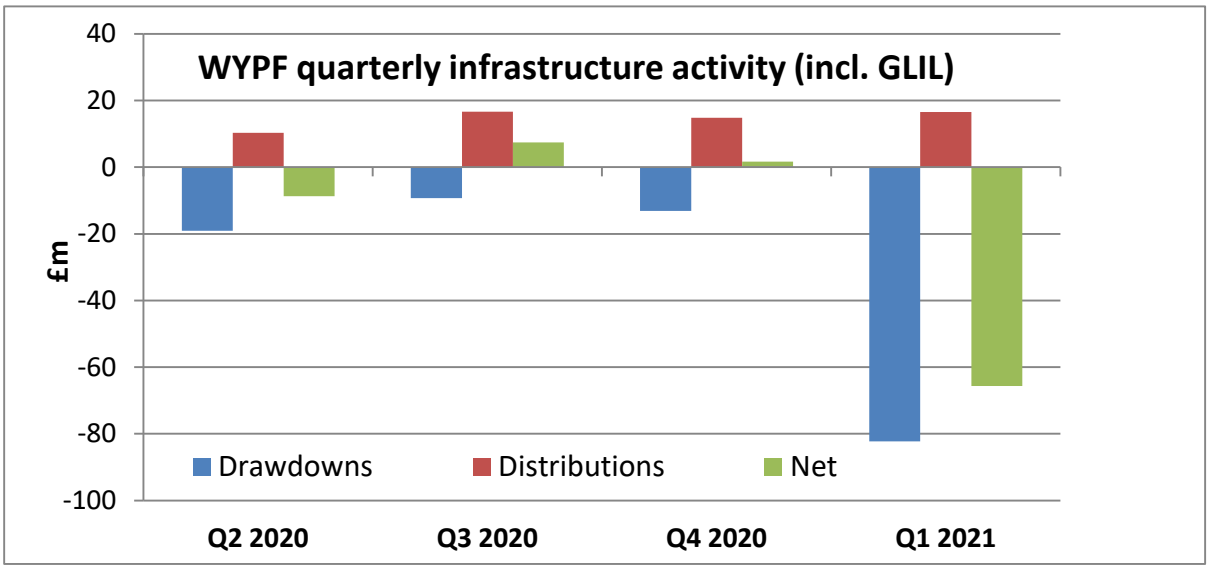
The strategy and approach for this asset class remains unchanged. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 5% exposure to private equity over the medium term.

Infrastructure

During the financial year to 31 March 2021, the number of reported infrastructure deals globally decreased by 23% on the prior year. The total deal value decreased by 40% (Preqin). This resulted in the average deal size decreasing by 22%; albeit still 14% more than two years ago. The WYPF infrastructure portfolio (excluding GLIL) mirrored this experience with a 46% decrease in drawdown levels. Distributions, however, were just 5% less, resulting in a net divestment of £2.3m, compared to £33.5m net investment in 2019/20.

In addition to the above, investment was bolstered by a further £67.6m due to WYPF's commitment to GLIL. GLIL is a cost-effective, limited liability partnership focused on investing in direct UK infrastructure. During the year, WYPF made a further £150m subscription to GLIL. This additional commitment increased WYPF's commitment to £525m, and WYPF's unfunded amount to £222.7m.

Including monies drawn down for GLIL, net investment was £65.3m, 35.8% higher than the prior year (£48.1m). Capital called from GLIL was predominantly for an equity stake in a rolling stock fleet of 65 new intercity trains; all of which are operational and connect London Kings Cross with cities across Scotland and the North of England.

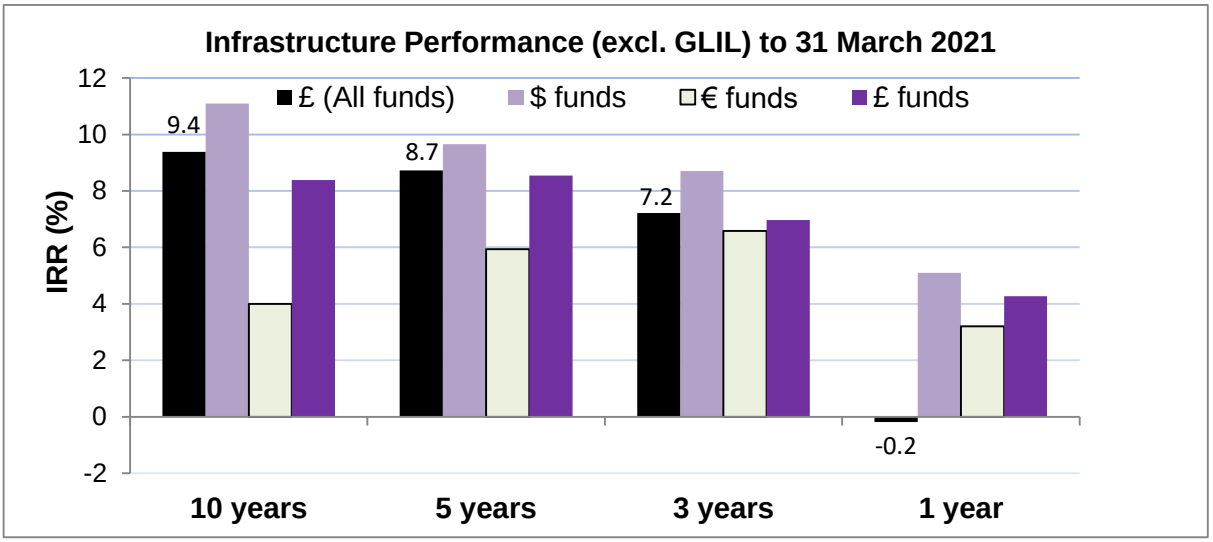


As a proportion of WYPF, the weighting of the infrastructure portfolio decreased to 4.4% (£703m), from 4.8% (£631m) the previous year. As with private equity, this was due to the strong recovery in public markets.

Local currency performance for funds denominated in each currency, and also performance on translation into sterling, is shown below. Approximately half (49%) of the infrastructure portfolio is invested in sterling denominated funds. USD and euro denominated funds constitute 35% and 16% respectively.

For the 12 months to 31 March 2021, the portfolio returned -0.2%. Sterling returns were negatively impacted by USD (-10.9%) and euro (-3.9%) weakness. Overall, this gave a currency effect of -4.5%.

For the 10-year period to 31 March 2021, the Infrastructure portfolio in sterling has delivered annualised returns of 9.4%.



WYPF's infrastructure portfolio remains well-diversified across industry sectors, geographies, vintage years, financing stages and managers.

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

Infrastructure fund	WYPF Commitment (£m)
Stonepeak Infrastructure Fund IV	28
I-Squared Infrastructure Fund III	28
Partners Group Direct Infrastructure 2020	28
GLIL	150
Total	**234**

At 31 March 2021, un-drawn commitments amounted to £431.2m.

The strategy and approach for this asset class is to build and maintain a global portfolio of infrastructure assets diversifying between social, renewable, economic and opportunistic asset types. Developed markets with stable regulatory regimes and transparent policy frameworks are favoured. The focus is on assets with inflation linked, long duration income streams that are less sensitive to the economic cycle. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 10% allocation to infrastructure.

Hedge funds

WYPF's hedge fund exposure is mainly via a bespoke fund similar to a managed account-type structure. This USD-denominated fund comprises seven underlying multi-strategy funds and two macro funds. This fund returned 23.7% (USD), versus 16.6% for the HFRX Global Hedge Fund Index (USD) for the year to 31 March 2021. Since inception (1 May 2012), this fund has delivered annualised local returns of 7.3%, 9.1% when translated into sterling.

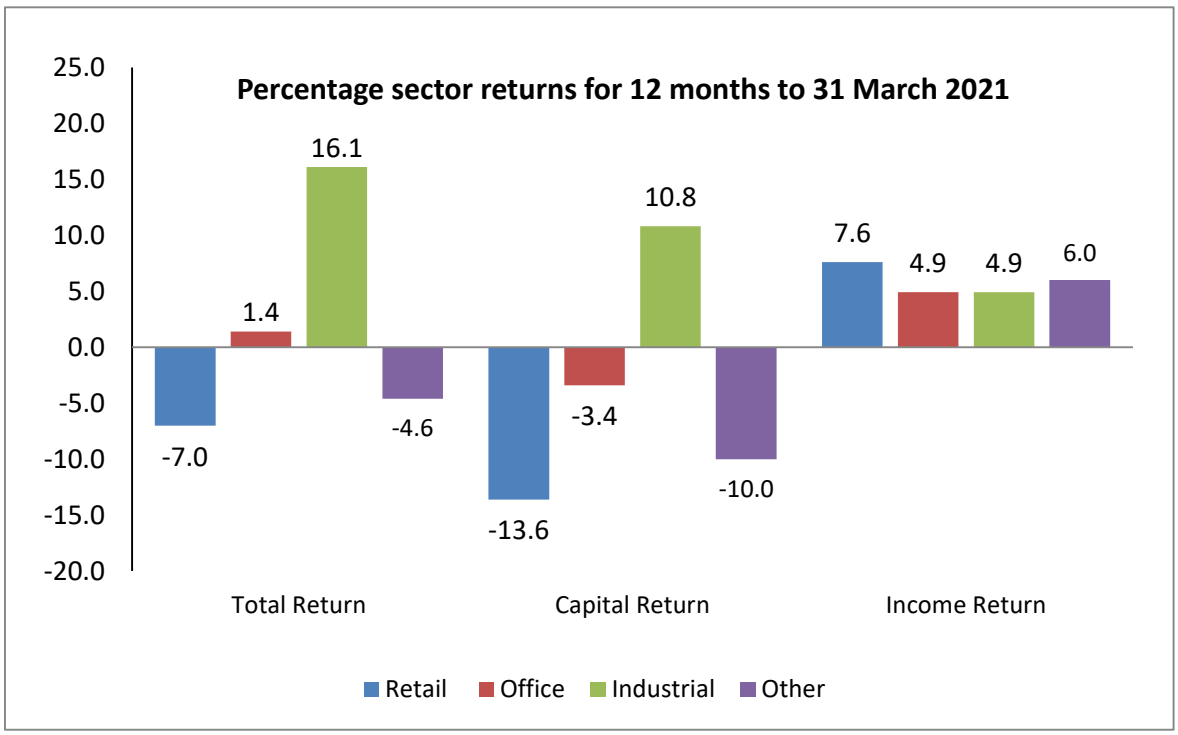
WYPF continues to focus on efficient diversification whilst achieving mid–high single digit returns and limiting downside risk.

Property

For the year to 31 March 2021, total returns for the UK direct MSCI All Property benchmark amounted to 2.6%. This compares to the WYPF agreed benchmark of the All Property Funds Index, which returned 0.7%.

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

Source: Bloomberg and MSCI UK Quarterly Property Index

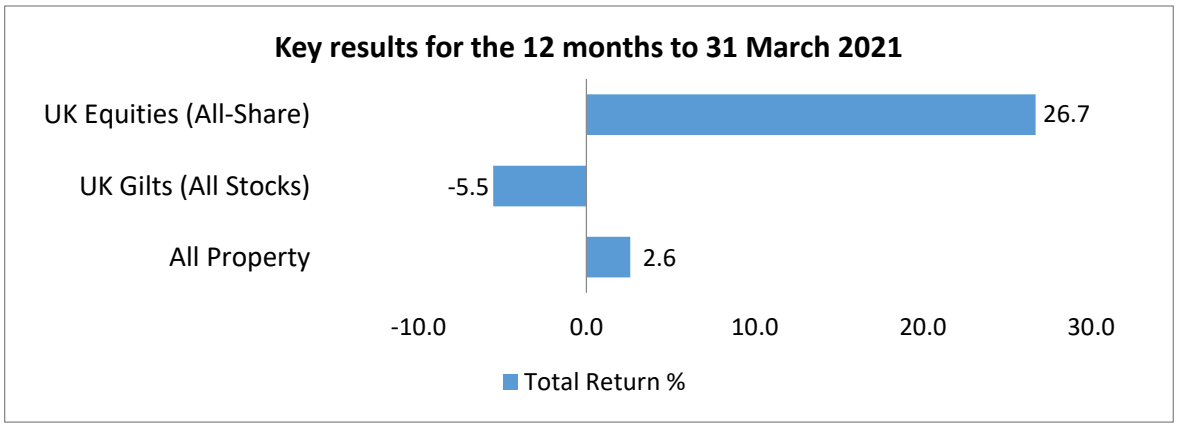


Source: CBRE Monthly (12m total return for CBRE All Property was 1.8%)

Retail returned -7.0% and was the lowest performing sector. Poor returns in the retail sector were driven by significant capital value falls (CBRE). Covid-related lockdown measures and non-essential retail shop closures resulted in shopping centre values declining by 28.9%. This came on top of a 21.5% valuation fall in 2019/20 and 13.5% in 2018/19. In comparison, retail warehouses and standard high-street shop values were a little more defensive, with values falling 8.4% and 9.1%, respectively. Retail suffered negative sentiment due to increasing company voluntary arrangements and administrations, and also rising levels of online retail.

The Office sector delivered a total return of 1.4% for the twelve months to 31 March 2021, with income offset by capital valuation declines. Offices in the Outer London/M25 area (0.1%) were the laggards, whereas the City (1.9%) and Rest of UK offices (1.8%) were the strongest performers.

For the financial year to March 2021, the City of London investment market saw transaction volumes that were less than half of what they were the year before. The impact of the Covid-19 pandemic resulted in Q2 and Q3 2020 volumes falling 65–70% compared to the same period the prior year. Leasing activity across the Central London office market also saw a material decline.



Industrial was again the highest performing sector, with a total return of 16.1%. Within this, South East Industrials returned 16.4% and outperformed Rest of UK Industrials at 15.2%. With the level of online retail rising during the pandemic, the amount of warehouse space needed also increased. This led to increased rents and strong investor demand. UK industrial investment volume in Q4 2020 and Q1 2021 represented the first and third highest quarterly total in the last 20 years (Savills).

'Other' property includes the Private Rented Sector (PRS), Student Accommodation and Senior Living. Overall, this sector suffered valuation falls of 10%, and a total return after income of -4.6%. During the year, and as part of a Northern LGPS commitment, WYPF increased its exposure to 'Other' property with a £25m subscription to a UK affordable housing fund. This opportunity has a high probability of delivering competitive returns, diversification benefits and having a positive social impact.

UK commercial property transactional volume fell as lockdown restrictions were enforced. However, it recovered from September to December. Q4 2020 investment volume was nearly 20% higher than the combined total for the preceding two quarters. However, with the third lockdown, lower volumes were recorded in Q1 2021. Completed transactions during the year were biased towards prime assets. Transactions on lower quality assets struggled to complete due to divergent pricing expectations between buyers and sellers.

From March to September 2020, and in light of coronavirus, UK real estate valuers applied a 'material uncertainty' clause (MUC) to nearly all real estate valuations. As a result, a number of UK open-ended funds suspended subscriptions and redemptions. The decision for managers to reopen their property funds was based largely on redemption requests and fund liquidity.

The government's various Covid-19 related emergency measures included legislation to protect commercial tenants from eviction if they are unable to pay rent due to the pandemic. Unsurprisingly, retail, leisure, and food and beverage markets have been hit hardest from the impact of coronavirus. Following this legislation, property managers experienced a significant increase in tenants seeking rental concessions.

WYPF is overweight in Industrials, Retail Warehouses and Rest of UK Offices compared to its benchmark, and underweight in City and West End Offices, and Other property.

Direct property

During the year, the procurement exercise for a Northern LGPS property management framework completed. With framework agreements in place, WYPF can now appoint an external direct property manager to help grow its direct portfolio in a cost effective manner. The aim of making direct investments is to lessen ongoing fees and enhance control, enabling long-term investment throughout market cycles.

Overall activity

WYPF made property purchases of £14.8m and sales of £6.3m, giving a net investment of £8.5m over the 12 months to 31 March 2021. The majority of capital was invested in continental European properties. Sale proceeds were mainly from a UK fixed-life funds nearing the end of their investment terms. The property portfolio returned -1.9% for the twelve months to March, underperforming its benchmark of 0.7%. The majority of underperformance is attributable to an overweight position in retail.

At 31 March 2021, un-drawn commitments amounted to £75.8m.

Net Asset as at 31 March 2021

	Note	31 March 2021 £000	31 March 2020 £000
Investment assets			
Northern LGPS assets	17	129,595	32,579
Bonds	17	1,315,811	1,387,188
Equities (including convertible shares)	17	12,112,419	9,499,515
Index-linked securities	17	735,119	736,119
Pooled investment vehicles	17	1,459,532	1,214,360
Direct Property	17	7,300	6,675
Cash deposits	17	422,003	254,625
Cash in bank	17	41,592	46,842
Other investment balances	17	58,153	53,918
Investment liabilities			
Other investment balances	17	-13,990	-51,239
Total net investments		**16,267,534**	**13,180,582**
Current assets			
Debtors	20	81,033	54,197
Current liabilities			
Creditors	21	-21,365	-20,481
Net current assets and liabilities		**59,668**	**33,716**
Net assets of the scheme available to fund benefits		**16,327,202**	**13,214,298**

Section 9
Auditor's Report

Independent auditor's statement to the members of City of Bradford Metropolitan District Council on the pension fund financial statements included within the West Yorkshire Pension Fund annual report

Report on the financial statements

Opinion

We have examined the Pension Fund financial statements for the year ended 31 March 2020 included within the West Yorkshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Respective responsibilities of the Director of Finance and the auditor

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

Our responsibility is to report to the Members of City of Bradford Metropolitan District Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of City of Bradford Metropolitan District Council

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of City of Bradford Metropolitan District Council describes the basis of our opinions on the financial statements.

Use of this auditor's statement

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body and as administering authority for the West Yorkshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members City of Bradford Metropolitan District Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than City of Bradford Metropolitan District Council and City of Bradford Metropolitan District Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Cameron Waddell
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

DD MMM 2021

Section 10
Statement of Accounts

Statement of accounts

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

The Director of Finance is responsible for the preparation of the Statement of Accounts, which is required to present fairly the financial position of the fund at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

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

Fund account for the year ended 31 March 2021

	Note	2021	2020
		£000	£000
Dealings with members, employers and others directly involved in the fund			
Contributions receivable	6	480,170	441,973
Transfers in	7	26,934	50,705
Non-statutory pensions and pensions increases recharged	8	21,019	21,671
		528,123	**514,349**
Benefits payable	9	-550,077	-553,082
Non-statutory pensions and pensions increase	8	-21,019	-21,671
Payments to and on account of leavers	10	-23,373	-37,250
		-594,469	**-612,003**
Net additions/(withdrawals) from dealing with members		-66,346	-97,654
Management expenses	13	-10,002	-12,306
Net additions / (withdrawals) including management expenses		**-76,348**	**-109,960**
Returns on investments			
Investment Income	15	361,159	464,284
Taxes on income	15a	-7,919	-8,719
Profit and losses on disposal and changes in value of investments	17a	2,833,734	-1,497,058
Stock lending	17c	2,278	2,710
Net return on investments		**3,189,252**	**-1,038,783**
Net Increase/(decrease) in the net assets available for benefits during the year		**3,112,904**	**-1,148,743**
Fund opening net assets		**13,214,298**	**14,363,041**
Fund closing net assets		**16,327,202**	**13,214,298**

Net Assets Statement at 31 March 2021

	Note	2021 £000	2020 £000
Investment assets			
Northern LGPS assets	17	129,595	32,579
Bonds	17	1,315,811	1,387,188
Equities (including convertible shares)	17	12,112,419	9,499,515
Index-linked securities	17	735,119	736,119
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Cash deposits	17	422,003	254,625
Cash in bank	17	41,592	46,842
Other investment balances	17	58,153	53,918
Investment liabilities			
Other investment balances	17	-13,990	-51,239
Total net investments		**16,267,534**	**13,180,582**
Current assets			
Debtors	20	81,033	54,197
Current liabilities			
Creditors	21	-21,365	-20,481
Net current assets and liabilities		**59,668**	**33,716**
Net assets of the scheme available to fund benefits		**16,327,202**	**13,214,298**

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2021. This financial statement shows the net value of assets owned by the fund, the actuarial calculation of the present value of promised retirement benefits is provided in note 9.

Signed

Chris Chapman

Director of Finance & IT
City of Bradford Metropolitan District Council
DD MMMM 2021

Notes to the accounts

Note 1. Operations and Membership

The West Yorkshire Pension Fund (WYPF) provides for the payment of defined pension benefits to members or their dependants, from participating employers. It publishes its own detailed report and accounts document, which is available on the WYPF website address www.wypf.org.uk.

Administering Authority

City of Bradford Metropolitan District Council is the administering authority for the Fund, and as such has statutory responsibility for the management and administration of the Fund. The Fund's entire investment portfolio is managed on a day to day basis in-house supported by the Fund's external advisers.

Legal Status

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

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

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

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

Management

The West Yorkshire Pension Fund Joint Advisory Group is responsible for advising on the administration of the Fund. The group is made up of three elected members from each of the five West Yorkshire Metropolitan District Councils (MDCs), three Trade Union representatives and two Scheme members. The Investment Advisory Panel is responsible for advising on the investment of the Fund and comprises two elected members from each of the five West Yorkshire Metropolitan District Councils, three trade union representatives, two external investment advisors, two scheme members, the Director – West Yorkshire Pension Fund and a Chief Financial Officer from the West Yorkshire District Councils on a two-year rotational basis.

Participating employers

There were 409 participating employers at 31st March 2021 (451 employers as at 31st March 2020) whose employees were entitled to be contributors to the Fund.

Membership

Total membership as at 31st March 2021 is 298,307 (31st March 2020 is 294,447).

At 31 March 2020	Profile of membership	At 31 March 2021
100,281	Active members	101,079
96,717	Pensioner members	100,869
97,449	Members with preserved pensions	96,359
294,447	**Total members**	**298,307**

Benefits payable

On 1st April 2014, LGPS pensions became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with Consumer Prices Index. Prior to April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one off tax free cash payment. A Lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2. Actuary's Report

West Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2021

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the fund had increased since the previous valuation with the market value of the fund's assets as at 31 March 2019 (of £14,363.0M) covering 106% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

- 18.0% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

Less

- 2.3% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).

3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	16.3	3.4
2021	16.5	2.4
2022	16.6	1.9

4. The funding plan adopted in assessing the contributions for each employer is in accordance with the funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed with the Administering Authority and reflected in the funding Strategy Statement, reflecting the employers' circumstances.

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

Discount rate for periods in service	
Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	3.30% p.a.
Discount rate for periods after leaving service	
Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	1.60% p.a
Rate of pay increases	3.35% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

* The Scheduled and Subsumption body and intermediate funding targets discount rates, as appropriate, were also used for employers whose liabilities will be subsumed after exit by an employer subject to that funding target.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the fund) was 1.3% p.a.

The assets were valued at market value.

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

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a Sk of 7.5, Adjustment Parameter of 0.00 and a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	24.5
Current active members aged 45 at the valuation date	22.4	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

- **Increases to Guaranteed Minimum Pensions (GMPs):**

  The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to indexation and equalisation for GMPs and set out its proposal to extend the interim solution further to those reaching SPA after 5 April 2021.

  The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the fund as a whole.

- **Cost Management Process and McCloud judgement:**

  Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

  The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs of the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the final details of the LGPS changes arising from the 2016 cost management process have been agreed.

  Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

- **Goodwin**

  An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the fund, Aon, for inclusion in the accounts of the fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

11. The report on the actuarial valuation as at 31 March 2019 is available on the fund's website at the following address:

https://www.wypf.org.uk/media/2850/wypf-2019-valuation-report.pdf

Aon Solutions UK Limited

April 2021

Note 3. Accounting policies

Basis of preparation

This statement of accounts summarises the fund's transactions for the 2019/20 financial year and its financial position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided by our actuary in note 12.

Contributions

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

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

Where employers have to pay the indirect costs of early retirement, these costs are accounted for in the period in which the liability arises. Any amount due but unpaid are classed as current asset debtors.

Transfers in and out of the fund

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

Benefits payable

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

Management expenses

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

Administrative expenses

All WYPF staff are charged directly to the Fund. Associated indirect management costs and other overheads are apportioned to administrative expenses using relevant factors and charged as expenses to the Fund.

Oversight and Governance costs

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

Investment management expenses

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

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years per LGPS regulations and updated annually in the intervening years by the appointed actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 12).

Cash and cash equivalents

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

Financial liabilities

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

Investment income

Interest income

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

Property related income

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

Dividend income

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

Distribution from pooled funds

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

Movement in the net market value of investments

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

Taxation

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

Financial assets

Financial assets are included in the net assets statement based on fair value or amortised cost. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From the date of recognition any gains or losses arising from changes in the fair value of assets held at fair value are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Additional voluntary contributions (AVCs)

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

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

Currency translation

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

a. Proceeds of sales of foreign assets are translated into sterling at the exchange rate on the day of sale and recorded in our investment book of records in sterling and in local currency.
b. Purchase of foreign investments are translated into sterling using the exchange rate at the time of purchase and recorded in our investment book of record at book cost in sterling and local currency.
c. Balance of foreign currency income accounts are moved daily to capital account using the mid-market rate on the date of movement.
d. Dividends from foreign investments are translated into sterling using the mid-market rate on the date of receipt.
e. When currency is sold or purchased the actual trade rate is used and commissions are charged to management expense.

Acquisition costs of investments

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

Netting

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

a. currently has a legally enforceable right to set off the recognised amounts,
and
b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Contingent liabilities and contractual commitments

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

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

Investment transactions

Investment transactions occurring up to 31 March 2021 but not settled until later are accrued in the accounts.

Note 4. Critical judgements in applying accounting policies

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

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

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

Fair value of financial instruments

In accordance with the Code and IFRS13, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 16. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

Retirement benefit obligations

Under IFRS the fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note in note 12 and does not comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in note 12.

Note 5. Events after the balance sheet date

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

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

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

There have been no adjusting events since 31 March 2021 and up to the date when these accounts were authorised, that require any adjustments to these accounts. The market value movement of financial assets as a result the prevailing Covid-19 pandemic is a non-adjusting event, it is impossible to estimate the impact of Covid-19 on this financial statement.

Note 6. Contributions receivable

	2020/21 £000	2019/20 £000
By category		
Employers	353,385	319,830
Members	126,785	122,143
Total	**480,170**	**441,973**
By type of employer		
Administering authority	52,806	53,103
Scheme	389,501	350,280
Admitted bodies	37,863	38,590
Total	**480,170**	**441,973**
By type of contribution		
Employees normal contributions	122,673	116,727
Employees additional contributions	4,112	5,416
Employers normal contributions	313,057	294,435
Employers deficit contributions	40,328	25,395
Total	**480,170**	**441,973**

Employer contribution rates and deficit contributions

Employer contributions receivable in 2020-21 were based on 31 March 2019 triennial valuation. At each triennial valuation (latest 31 March 2019) the Actuary calculates an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

Employee contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. The rates for 2020/21 based on pay in the financial year are provided below.

2020/21 Pay	Contribution rate
Up to £14,600	5.50%
£14,601 to £22,800	5.80%
£22,801 to £37,100	6.50%
£37,101 to £46,900	6.80%
£46,901 to £65,600	8.50%
£65,601 to £93,000	9.90%
£93,001 to £109,500	10.50%
£109,501 to £164,200	11.40%
£164,201 or more	12.50%

Note 7. Transfers in from other pension funds

	2020/21 £000	2019/20 £000
Individual transfers in from other schemes	25,288	38,664
Bulk transfers in from other schemes	1,646	12,041
Total Transfers In	**26,934**	**50,705**

Note 8. Non-statutory pensions increase and recharges

	2020/21 £000	2019/20 £000
Pensions	21,019	21,671
Total	**21,019**	**21,671**

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

Note 9. Benefits payable

	2020/21 £000	2019/20 £000
Pensions		
Funded pensions – retired employees	-406,808	-388,929
Funded pensions – dependants	-33,611	-34,926
Total pensions	**-440,419**	**-423,855**
Lump sums		
Funded lump sums on retirement	-95,919	-115,655
Funded lump sums on death	-13,739	-13,572
Total lump sums	**-109,658**	**-129,227**
Total benefits paid in year	**-550,077**	**-553,082**

Benefits payable by type of employer member body	£000	£000
Pensions		
Administering authority	-81,348	-83,865
Scheduled bodies	-415,221	-412,990
Admitted bodies	-53,508	-56,227
Total pensions	**-550,077**	**-553,082**

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

Note 10. Payments to and on account of leavers

	2020/21 £000	2019/20 £000
Refund of contributions	-1,266	-1,644
Individual transfers	-22,107	-35,606
Total	**-23,373**	**-37,250**

Note 11. AVC Scheme – Equitable Life, Scottish Widows and Prudential

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

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

	2020/21 £000	2019/20 £000
Value of funds at 1 April	12,800	33,970
Contributions received	425	6,112
Transfers and withdrawals values	20	144
Interest and bonuses/change in market value of assets	2,001	-1,206
Sale of investments to settle benefits due to members	-1,395	-6,155
Value of funds at 31 March	**13,851**	**32,865**

	Members still paying cntribution 2020/21 Count	Members 2019/20 Count	2020/21 £000	2019/20 £000
Utmost (Equitable Life)	214	241	2,090	2,193
Prudential	2,174	1,871	0	20,065
Scottish Widows	503	558	11,761	10,606
Total	**2,891**	2,670	**13,851**	**32,864**

Still waiting for prudential figures.

Note 12. Actuarial present value of promised retirement benefits

The fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the fund as a whole. The fund provides defined benefits, which for membership to 31 March 2014, are based on members' final pensionable pay. On the 1 April 2014 the scheme changed from a final salary scheme to a CARE (career average revalued earnings) scheme and pension benefits are based on a member's pay in each scheme year. The required valuation is carried out by the fund actuary Aon Hewitt using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (actuarial statement on p69).

Introduction

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

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

Paragraph 6.5.2.8 of CIPFA's code of practice on local authority accounting for 2019/20 sets out that for consistency with employers' IAS 19 actuarial report, that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed in the Pension Fund Account.

The results as at 31 March 2019, together with the results as at 31 March 2016 are shown in the table below. The corresponding fair value of fund assets is also shown in order to show the level of surplus or deficit within the fund when the liabilities are valued using IAS 19 assumptions.

	Value as at 31 March 2019 £m	Value as at 31 March 2016 £m
Fair value of net assets	14,363.0	11,211.0
Actuarial present value of the defined benefit obligation (see Notes)	(19,365.8)	(14,085.4)
Surplus / (deficit) in the fund as measured for IAS 26 purposes	(5,002.8)	(2,874.4)

McCloud / Sargeant judgement

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgement of £33.15m. The McCloud/Sargeant judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination. The government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales all members joined the new 2014 scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 scheme.

The remedy for the LGPS is expected to be consulted upon in the summer. The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the scheme on 1 April 2012 (and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier.

Equalisation and indexation of guaranteed minimum pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of guaranteed minimum pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose state pension age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within this note assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

Cost management process

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations. Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

HM Treasury and the SAB have paused their reviews following the 'McCloud' judgement in the Court of Appeal. The cost cap process will not recommence until the remedy as applies to the LGPS has been decided.

On 24 April 2020 a number of trades unions filed court proceedings to challenge the government's decision to pause the cost management process. If successful this could lead to higher liabilities and employer costs although it is not yet known how such changes, and those required due to the McCloud case, will affect the cost management valuation due as at 31 March 2020 which it is expected would lead to changes in benefits and/or member contributions in future.

Assumptions

The latest full triennial actuarial valuation of the fund's liabilities was carried out as at 31 March 2019. The principal assumptions used for the purpose of IAS 26 by the fund's independent qualified actuaries were:

	31 March 2019 (% p.a.)	31 March 2016 (% p.a.)
Discount rate	2.40	3.40
CPI Inflation (pension increases) *	2.20	1.80
Rate of general increase in salaries **	3.45	3.05

* In excess of guaranteed minimum pension increases in payment for members whose state pension age is on or before 5 April 2016 where appropriate.

** In addition, allowance has been made for the same age related promotional salary scales as used at the actuarial valuation of the fund as at the appropriate date.

Principal demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the fund based on analysis carried out as part of the 2019 actuarial valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below.

	31 March2019	31 March2016
Males		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	21.8	22.0
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	22.4	22.9
Females		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	24.5	25.1
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	25.6	26.9

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2019 valuation. Assumptions for the rates of the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2019 valuation of the fund, which are detailed in the actuary's valuation report.

Key risks associated with reporting under IAS 26 and sensitivity

Volatility of results

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

- A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the fund invests in corporate bonds).
- The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.
- The majority of the fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Post 31 March 2019 experience

Since 31 March 2019 the fund's assets are likely to have fallen in value due to the emerging Covid-19 crisis. This crisis has also caused a reduction in corporate bond yields, which will have led to an increase in the value of the defined benefit obligation (liabilities) on an accounting basis. The impact on the net pensions asset will depend on the fund's asset performance, but we would expect most LGPS funds' IAS 26 balance sheet positions to have deteriorated over the year, with a higher IAS 26 deficit at 31 March 2020. It is too early to say what impact the higher rates of mortality will have on the funding position of the fund. At time of writing, ONS data is showing that the cumulative deaths in 2020 to date are well outside the range of the outcomes seen in recent years. The impact on longevity for the fund's members will additionally be affected by the indirect impact of Covid-19, including the health of the surviving population, and the economic, social and political consequences of tackling Covid-19. In both of the above cases, the impact on longevity could be positive or negative.

Choice of accounting assumptions

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

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

Sensitivity of results to key assumptions

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

We have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase by one year. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Sensitivity Analysis

Discount rate assumption		
Adjustment to discount rate assumption	**+0.1% £m**	**-0.1% £m**
£ change to present value of the defined benefit obligation	-396.0	404.2
% change in present value of defined benefit obligation	-2.0%	2.1%
Rate of general increase in salaries		
Adjustment to salary increase rate assumption	**+0.1% £m**	**-0.1% £m**
£ change to resent value of the defined benefit obligation	50.1	-49.5
% change in present value of defined benefit obligation	0.3%	-0.3%
Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts		
Adjustment to pension increase rate assumption	**+0.1% £m**	**-0.1% £m**
£ change to present value of the defined benefit obligation	354.2	-346.5
% change in present value of defined benefit obligation	1.8%	-1.8%
Post retirement mortality assumption		
Adjustment to members' life expectancy	**+1 year £m**	**-1 year £m**
£ change to present value of the defined benefit obligation	-745.4	757.9
% change in present value of defined benefit obligation	-3.9%	3.9%

Note 13. Management expenses

	2020/21 £000	2019/20 £000
Administrative costs	-4,002	-4,763
Investment management expenses	-5,129	-6,698
Oversight and governance	-871	-845
Total	**-10,002**	**-12,306**

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The investment management expenses above includes statutory audit fee of -£37.4k (2019/20 -£37.4k) is included on oversight and governance. The statutory audit fee does not include fees chargeable to the fund for pension assurance work undertaken at the request of employer auditors; fees payable for this work total -£24.3k (2019/20 -£22k) and are recharged to the relevant employers. No other fees have been paid to the external auditor.

The costs associated with the setting up and running Northern LGPS that relate specifically to WYPF are included within the administration costs above; the costs for the 2020/21 reporting period are £75.6k (2019/20 £106k).

Note 14. Investment expenses

	2020-21 Total £000	Management fees £000	Performance related fees £000	Transaction costs £000
NPEP	28	28	0	0
Bonds	336	336	0	0
Equities	3,848	3,062	0	786
Index-linked securities	187	187	0	0
Pooled investment vehicles	397	370	0	27
Property	2	2	0	0
Cash deposits	129	129	0	0
	4,927	4,114	0	813
Custody Fees	202			
Total	5,129			

	2019-20 Total £000	Management fees £000	Performance related fees £000	Transaction costs £000
NPEP	5	5	0	0
Bonds	211	211	0	0
Equities	3,736	1,442	0	2,294
Index-linked securities	112	112	0	0
Pooled investment vehicles	184	184	0	0
Property	1	1	0	0
Cash deposits	46	46	0	0
	4,295	2,001	0	2,294
Custody Fees	505			
Total	4,800			

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

Note 15. Investment income

	2020/21 £000	2019/20 £000
NPEP	154	0
Income from bonds	39,418	48,549
Dividends from equities	295,369	382,045
Income from index-linked securities	3,532	3,683
Income from pooled funds	21,053	26,435
Income from direct property	449	438
Interest on cash deposits	1,184	3,134
Total	**361,159**	**464,284**

Note 15a. Tax on income

	2020/21 £000	2019/20 £000
Dividends from equities	-7,919	-9,604
HMRC receipt re GMP equalisation*	0	885
Total	**-7,919**	**-8,719**

* GMP – Guaranteed minimum pension

Note 16. Direct property holdings

	2020/21 £000	2019/20 £000
Opening balance	6,675	7,250
Additions		
Net increase/ decrease in market value	625	-575
Closing balance	**7,300**	**6,675**

Note 17. Investments

Note 17a. Movement in the value of investments

	Opening value at 1 April 2020 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 March 2021 £000
Northern LGPS assets	32,579	84,691	-6,336	18,661	129,595
Bonds	1,387,188	335,004	-425,563	19,182	1,315,811
Equities	9,499,515	553,678	-488,961	2,548,187	12,112,419
Index linked securities	736,119	53,161	-52,570	-1,591	735,119
Pooled funds	1,214,360	18,485	-21,990	248,677	1,459,532
Direct property	6,675	0	0	625	7,300
Cash Deposits	254,625	1,098,393	-931,008	-7	422,003
Cash at bank re investments	46,842	0	-5,250	0	41,592
Other investment debtors	53,918	4,235	0	0	58,153
Other investment creditors	-51,239	37,249	0	0	-13,990
Totals	**13,180,582**	**2,184,896**	**-1,931,678**	**2,833,734**	**16,267,534**

	Opening value at 1 April 2019 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 March 2020 £000
Northern LGPS assets	261	33,031	0	-713	32,579
Bonds	1,512,233	535,266	-534,984	-125,327	1,387,188
Equities	10,415,004	836,634	-433,408	-1,318,715	9,499,515
Index linked securities	679,524	59,833	-54,480	51,242	736,119
Pooled funds	1,387,123	31,970	-97,447	-107,286	1,214,360
Direct property	7,250	0	0	-575	6,675
Cash Deposits	269,242	1,169,499	-1,188,432	4,316	254,625
Cash at bank re investments	25,261	21,581	0	0	46,842
Other investment debtors	48,560	5,358	0	0	53,918
Other investment creditors	-15,356	0	-35,883	0	-51,239
Totals	**14,329,102**	**2,693,172**	**-2,344,634**	**-1,497,058**	**13,180,582**

The change in market value of investments during the year includes all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. A further analysis of the asset split between overseas and UK can be found in note 23.

Note 17b. Investments analysis by security type

	2020/21 £000	2019/20 £000
Northern LGPS assets	**129,595**	**32,579**
Bonds		
Public sector quoted	782,562	926,917
Other quoted	533,249	460,271
	1,315,811	**1,387,188**
Equities	**12,112,419**	**9,499,515**
Index-linked securities	**735,119**	**736,119**
Pooled funds		
Hedge funds quoted	105,585	94,967
Property quoted	606,022	609,425
Other	747,925	509,968
	1,459,532	**1,214,360**
Direct property	**7,300**	**6,675**
Cash deposits	**422,003**	**254,625**
Cash in bank	**41,592**	**46,842**
Other Investment assets	**58,153**	**53,918**
Other Investment liabilities	**-13,990**	**-51,239**
Total	**16,267,534**	**13,180,582**

Note 17c. Stock lending

	2020/21 £000	2019/20 £000
Stock lending		
Income – bonds	176	228
Income – UK equities	396	648
International equities	1,782	1,924
	2,354	**2,800**
Less – costs	-76	-90
Total	**2,278**	**2,710**

As at 31 March 2021, the value of stock on loan to market makers was £660m (31 March 2020 £890m) and this was covered by collateral totalling £702m (31 March 2020 £960m) which includes an appropriate margin. The collateral includes a basket of UK Equities (£163 million), United Kingdom Gilts (£159million), US Equities (£191 million) and Government Debt (£17 million).

Note 18. Fair value – basis of valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted equities	Level 1	Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Unquoted bonds	Level 3	Fund managers' capital statements	Evaluated price feeds	Not required
Pooled investments, unit trusts and quoted property funds.	Level 2	Closing bid price where bid and offer prices are published closing single price where single price is published. Valuations for Property Funds are provided by Fund managers and where available closing bid price is used.	NAV – based pricing set on a forward pricing basis.	Not required
All unquoted, delisted or suspended assets, pooled investments - hedge funds, unit trusts and property funds	Level 3	Closing bid price where bid and offer prices are published – closing single price where single price is published.	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund between 30 and 90 days after the month end to which they relate. The values reported in the financial statements are therefore based on December 2020 to March 2021, adjusted according to estimates of investment fund performance in March, as informed by fund	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
			managers. We gain assurance over valuations and capital statements provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values and updated capital statements provided in subsequent periods. In the case of delisted assets we use latest available price or price advised by investment managers.	changes to expected cashflows and by any differences between audited and unaudited accounts.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end by CBRE independent valuers – in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Standards and the RICS Valuation – Professional Standards UK January 2014 (revised July 2017) ('The Red Book').	Existing lease terms – Independent market research – Nature of tenancies – Estimated growth – Assumed vacancy levels – Estimated growth – Discount rate	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cash flows and by any differences between audited and unaudited accounts.

Note 18a. Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2021.

	Assessed valuation range (+/-)	31 March 2021 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	10%	105.3	115.8	94.8
Property funds	10%	453.1	498.4	407.8
Direct property	10%	7.3	8.0	6.6
Private equity	15%	1,783.0	2,050.5	1,515.6
Other assets	10%	33.2	36.5	29.9
Total		**2,381.9**	**2,709.2**	**2,054.7**

	Assessed valuation range (+/-)	31 March 2020 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	10%	94.9	104.4	85.4
Property funds	10%	427.8	470.6	385.0
Direct property	10%	6.7	7.4	6.0
Private equity	15%	1,552.9	1,785.8	1,320.0
Other assets	10%	26.2	28.8	23.6
Total		**2,108.5**	**2,397.0**	**1,820.0**

Financial instruments – valuation

Valuation of financial assets carried at fair value

The valuations of financial assets have been classified into three levels according to the quality and reliability of information used to determine the fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Financial assets classified as level 1 comprise quoted equities, quoted bonds (fixed interest securities), quoted index linked securities and unit trusts.

Level 2

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

Level 3

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

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

Note 18b. Valuation hierarchy

31 March 2021	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	12,510	868	2,375	15,753
Loans and receivables	603	0	0	603
Total financial assets	**13,113**	**868**	**2,375**	**16,356**
Non financial assets at fair value through profit and loss				
Property	0	0	7	7
Financial liabilities				
Financial liabilities at amortised cost	-35	0	0	-35
Total financial liabilities	**-35**	**0**	**7**	**-28**
	13,078	**868**	**2,382**	**16,328**

31 March 2020	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	10,113	655	2,101	12,869
Loans and receivables	410	-	-	410
Total financial assets	**10,523**	**655**	**2,101**	**13,279**
Non financial assets at fair value through profit and loss				
Property	0	0	7	7
Financial liabilities				
Financial liabilities at amortised cost	-72	0	0	-72
Total financial liabilities	**-72**	**0**	**7**	**-65**
	10,451	**655**	**2,108**	**13,214**

Reconciliation of fair value measurements within level 3

Reconciliation of fair value measurements within level 3	Market value 01-Apr-20	Purchases	Sales	Change in 20/21 L1,L2 to L3 assets	Change in market value	Market value 31-Mar-21
	£000	£000	£000	£000	£000	£000
Pooled investments - hedge funds	94,967	0	0	0	10,361	105,328
Property funds	427,860	17,088	-7,623	27,653	-11,900	453,078
Direct property	6,675	0	0	0	625	7,300
Private equity(inc NLGPS)	1,552,901	304,073	-231,639	10,180	147,483	1,782,998
Other assets	26,175	0	-414	0	7,453	33,214
Total	**2,108,578**	**321,161**	**-239,676**	**37,833**	**154,022**	**2,381,918**

Changes from level1 and Level2 to Level3 during 2020/21 are due to asset delisting or lack of observable inputs.

Reconciliation of fair value measurements within level 3	Market value 01-Apr-19	Adj to 01-Apr-19 assets L2 to L3	Purchases	Sales	Change in 19/20 L1,L2 to L3 assets	Change in market value	Market value 31-Mar-20
	£000	£000	£000	£000	£000	£000	£000
Pooled investments - hedge funds	91,948	0	0	-81	0	3,100	94,967
Property funds	356,494	0	5,733	-19,961	86,623	-1,029	427,860
Direct property	7,250	0	0	0	0	-575	6,675
Private equity(inc NLGPS)	1,359,727	0	269,532	-206,210	0	129,852	1,552,901
Other assets	0	34,505	0	0	0	-8,330	26,175
Total	**1,815,419**	**34,505**	**275,265**	**-226,252**	**86,623**	**123,018**	**2,108,578**

Note 19. Financial instruments – classification

The following table analyses the carrying value of the financial assets and liabilities by category and by net asset statement heading as at 31 March 2021. The table also includes Direct Property (non-financial instrument) for completeness.

31 March 2021	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial assets				
Northern LGPS assets	129,595	0	0	129,595
Bonds	1,315,811	0	0	1,315,811
Equities	12,112,419	0	0	12,112,419
Index-linked securities	735,119	0	0	735,119
Pooled investment vehicles	1,459,532	0	0	1,459,532
Cash deposits	0	422,003	0	422,003
Cash at bank	0	41,592	0	41,592
Other investment balances	0	58,153	0	58,153
Debtors	0	81,033	0	81,033
Total financial assets	**15,752,476**	**602,781**	**0**	**16,355,257**
Financial liabilities				
Other investment balances	0	0	-13,990	-13,990
Creditors	0	0	-21,365	-21,365
Total financial liabilities	**0**	**0**	**-35,355**	**-35,355**
Total	**15,752,476**	**602,781**	**-35,355**	**16,319,902**
Non financial instruments	**7,300**	**0**	**0**	**7,300**
Total	**15,759,776**	**602,781**	**-35,355**	**16,327,202**

31 March 2020	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial assets				
Northern LGPS assets	32,579	0	0	32,579
Bonds	1,387,188	0	0	1,387,188
Equities	9,499,515	0	0	9,499,515
Index-linked securities	736,119	0	0	736,119
Pooled investment vehicles	1,214,360	0	0	1,214,360
Cash deposits	0	254,625	0	254,625
Cash at bank	0	46,842	0	46,842
Other investment balances	0	53,918	0	53,918
Debtors	0	54,197	0	54,197
Total financial assets	**12,869,761**	**409,582**	**0**	**13,279,343**
Financial liabilities				
Other investment balances	0	0	-51,239	-51,239
Creditors	0	0	-20,481	-20,481
Total financial liabilities	**0**	**0**	**-71,720**	**-71,720**
Total	**12,869,761**	**409,582**	**-71,720**	**13,207,623**
Non financial instruments	**6,675**	**0**	**0**	**6,675**
Total	**12,876,436**	**409,582**	**-71,720**	**13,214,298**

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

Note 20. Current assets – debtors

	2020/21 £000	2019/20 £000
Contributions due from employers	29,614	24,587
Other debtors	51,419	29,610
Total	**81,033**	**54,197**

Note 21. Current liabilities – creditors

	2020/21 £000	2019/20 £000
Unpaid benefits	-9,811	-12,849
Other current liabilities	-11,555	-7,632
Total	**-21,366**	**-20,481**

Note 22. Related party transactions

In accordance with IAS24 Related Party Disclosures, material transactions with related parties not disclosed elsewhere are detailed below.

Administering body

Bradford Metropolitan District Council is a related party in its role as the Administering Authority for West Yorkshire Pension Fund.

In 2020/21, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £444k in respect of support services provided (£444k in 2019/20). The support costs include a full year support for financial systems, payroll, HR, legal, internal audit and information technology services.

Employers

Employers are related parties in so far as they pay contributions to the fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in Section 5 this report. Contributions owed by employers in respect of March 2021 payroll are included within total debtor in note 20.

Members

The Metropolitan Councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel, the Joint Advisory Group and the Local Pension Board. Six of these members are in receipt of pension benefits from the fund.

There have been no material transactions between any member or their families and the pension fund.

Key management personnel

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with City of Bradford Metropolitan District Council, for the supply of goods or services to the fund.

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £143k (2019/20 £128k). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

Note 23. Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

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

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

a. Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the fund and its investment advisers undertake appropriate monitoring of market conditions and benchmark analysis.

The fund's asset holdings are spread across more than 800 UK companies, and almost 1,000 foreign companies, and a range of unit trusts and managed funds.

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

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

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

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

b. Price risk

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

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

The fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the fund to ensure it is within limits specified in the fund's investment strategy.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The fund has determined that the following movements in market price risk are reasonably possible for the 2019/20 reporting period.

Asset type	2019/20 Potential market movement +/- (%p.A.)	2019/20 Potential market movement +/- (%p.A.)
UK corporate bonds	25.40	12.30
UK equities	31.20	18.80
UK public sector bonds	4.60	7.20
UK index-linked	5.90	3.60
UK pooled funds - properties	1.50	3.10
UK pooled funds - other	1.50	3.10
UK direct property	16.60	7.30
Overseas corporate bonds	5.80	9.30
Overseas equities	39.30	7.50
Overseas public sector bonds	5.80	9.30
Overseas index-linked	0.90	3.60
Overseas pooled funds - properties	1.50	3.10
Overseas pooled funds - other	1.50	3.10
Cash deposits	1.50	2.00
Cash at bank	1.50	0.01
Other investment assets	0	0
Other investment liabilities	0	0

Asset type	Value as at 31-Mar-21 £000	Value as at 31-Mar-20 £000
UK corporate bonds	441,838	362,039
UK equities	6,150,463	4,977,267
UK public sector bonds	549,861	672,778
UK index-linked	645,331	640,816
UK pooled funds - properties	529,604	522,465
UK pooled funds - other	311,391	228,283
UK direct property	7,300	6,675
Overseas corporate bonds	91,410	98,232
Overseas equities	6,091,551	4,554,827
Overseas public sector bonds	232,701	254,139
Overseas index-linked	89,788	95,303
Overseas pooled funds - properties	76,419	86,960
Overseas pooled funds - other	542,119	376,653
Cash deposits	422,003	254,625
Cash at bank	41,592	46,842
Other investment assets	58,153	53,918
Other investment liabilities	-13,990	-51,239
Total	**16,267,534**	**13,180,5823?**

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

Asset type	Value as at 31-Mar-21 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK corporate bonds	441,838	25.40	554,065	329,611
UK equities	6,150,463	31.20	8,069,407	4,231,519
UK public sector bonds	549,861	4.60	575,155	524,567
UK index-linked	645,331	5.90	683,406	607,256
UK pooled funds - properties	529,604	1.50	537,548	521,660
UK pooled funds - other	311,391	1.50	316,062	306,720
UK direct property	7,300	16.60	8,512	6,088
Overseas corporate bonds	91,410	5.80	96,712	86,108
Overseas equities	6,091,551	39.30	8,485,531	3,697,571
Overseas public sector Bonds	232,701	5.80	246,198	219,204
Overseas index - linked	89,788	0.90	90,596	88,980
Overseas pooled funds - properties	76,419	1.50	77,565	75,273
Overseas pooled funds - other	542,119	1.50	550,251	533,987
Cash deposits	422,003	1.50	428,333	415,673
Cash at bank	41,592	1.50	42,216	40,968
Other investment assets	58,153	0	58,153	58,153
Other investment liabilities	-13,990	0	-13,990	-13,990
Total	**16,267,534**		**20,805,720**	**11,729,348**

Asset type	Restated Value as at 31-Mar-20 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK corporate bonds	362,039	12.30	406,570	317,508
UK equities	4,977,267	18.80	5,912,993	4,041,541
UK public sector bonds	672,778	7.20	721,218	624,338
UK index-linked	640,816	3.60	663,885	617,747
UK pooled funds - properties	522,465	3.10	538,661	506,269
UK pooled funds - other	228,283	3.10	235,360	221,206
UK direct property	6,675	7.30	7,162	6,188
Overseas corporate bonds	98,232	9.30	107,368	89,096
Overseas equities	4,554,827	7.50	4,896,439	4,213,215
Overseas public sector Bonds	254,139	9.30	277,774	230,504
Overseas index-linked	95,303	3.60	98,734	91,872
Overseas pooled funds - properties	86,960	3.10	89,656	84,264
Overseas pooled funds - other	376,653	3.10	388,329	364,977
Cash deposits	254,625	2.00	259,718	249,533
Cash at bank	46,842	2.00	47,779	45,905
Other investment assets	53,918	0	53,918	53,918
Other investment liabilities	-51,239	0	-51,239	-51,239
Total	**13,180,583**		**14,654,325**	**11,706,842**

Alternative (universe) assets have been restated and the assets have now been split between UK and overseas Pooled funds - other

c. Interest rate risk

The fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the fund and its investment advisers in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2021 £000	31 March 2020 £000
Bonds	1,315,811	1,387,188
Cash deposits	422,003	254,625
Cash at bank	41,592	46,842
Total	**1,779,406**	**1,688,655**

Interest rate risk – sensitivity analysis

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

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

Asset type	Value as at 31 March 2021 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,315,811	1,328,968	1,302,652
Cash deposits	422,003	426,223	417,783
Cash balances	41,592	42,008	41,176
Total	**1,779,406**	**1,797,199**	**1,761,611**

Asset type	Value as at 31 March 2020 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,387,188	1,401,060	1,373,316
Cash deposits	254,625	257,171	252,079
Cash at bank	46,842	47,310	46,374
Total	**1,688,655**	**1,705,541**	**1,671,769**

d. Currency risk

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

The following table summarises the fund's currency exposure as at 31 March 2021 and 31 March 2020.

Currency exposure – asset type	Value as at 31 March 2021 £000	Value as at 31 March 2020 £000
Overseas corporate bonds	91,410	98,232
Overseas equities	6,091,551	4,554,827
Overseas public sector bonds	232,701	254,139
Overseas index-linked	89,788	95,303
Overseas properties	76,419	86,960
Overseas unit trusts	542,119	394,203
Total overseas assets	**7,123,988**	**5,483,664**

Currency risk – sensitivity analysis

Following analysis of historical data the fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2019/20 6.0%). A 6.0% strengthening/weakening of the pound against the various currencies in which the fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Asset type	Value as at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Overseas corporate bonds	91,410	96,895	85,925
Overseas equities	6,091,551	6,457,044	5,726,058
Overseas public sector bonds	232,701	246,663	218,739
Overseas index-linked	89,788	95,175	84,401
Overseas properties	76,419	81,004	71,834
Overseas unit trusts	542,119	574,646	509,592
Total overseas assets	**7,123,988**	**7,551,427**	**6,696,549**

Asset type	Value as at 31 March 2020 £000	Value on increase £000	Value on decrease £000
Overseas corporate bonds	98,232	104,126	92,338
Overseas equities	4,554,827	4,828,117	4,281,537
Overseas public sector bonds	254,139	269,387	238,891
Overseas index-linked	95,303	101,021	89,585
Overseas properties	86,960	92,178	81,742
Overseas unit trusts	376,653	399,252	354,054
Total overseas assets	**5,466,114**	**5,794,081**	**5,138,147**

e. Credit risk

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

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

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition, the fund is fully indemnified by our financial securities custodian on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 17c.

f. Liquidity risk

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The fund therefore takes steps to ensure there are adequate cash resources available to meet its commitments. This will particularly be the case for cash, from the cashflow matching mandates from the main investment strategy to meet pensioner payroll costs, and also cash to meet investment commitments.

Note 24. Contractual commitments

At 31 March 2021 West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2021	Undrawn commitments
	£m	£m
Asset class		
Private equity	1,549	1,237
Property funds	596	76
Total	**2,145**	**1,313**

At 31 March 2020 West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2020	Undrawn commitments
	£m	£m
Asset class		
Private equity	1,520	1,147
Property funds	609	70
Total	**2,129**	**1,217**

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

Note 25. Accounting developments

Accounting standards that have been issued before 1 January 2020 but not yet adopted by the Cipfa code of practice on local authority accounting and consequently are not yet adopted by the fund. These are listed below:

- **IFRS 9 Financial Instruments:** the updated standard deals with concerns about how IFRS 9 classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.

- **IAS 19 Employee Benefits**: the latest amendment harmonises accounting practices and provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

- **IFRIC 23 Uncertainty over income tax treatments:** provides additional guidance on income tax treatment where there is uncertainty.

- **IAS 28 Long-term interests in Associates and Joint Venture:** the latest amendment provide clarity that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The introduction of, and amendments to, the above accounting standards are not expected to have a material impact on this financial statement in the period of initial application.

Note 26. Investment Strategy Statement

West Yorkshire Pension Fund has prepared an Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. Full details of the ISS and the FSS are included in this report and are available on the fund's website **www.wypf.org.uk**

Appendix A
Resolving Complaints

Internal dispute resolution procedure

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

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

But this isn't always possible. The scheme provides a formal way for disagreements to be resolved: the internal dispute resolution procedure (IDRP).

The IDRP is a two-stage process.

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

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

If further help is needed

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

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

Policing pension schemes

The Pensions Regulator was set up following the 1995 Pensions Act. Its main role is to protect pension scheme members. From 1 April 2015 the Pensions Regulator's remit was extended to cover the administration of public service pension schemes. The Pensions Regulator issued a code of practice on governance and administration of public service pension schemes which provides practical guidance in relation to the exercise of functions under relevant pensions legislation and sets out standards of conduct and practice expected from those who exercise those functions.

Appendix B
Further Information and Contacts

WYPF senior management team

Director – West Yorkshire Pension Fund	**Rodney Barton** **Phone: 01274 432317** **E-mail rodney.barton@wypf.org.uk**
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Assistant Director (Overseas)	**Colin Standish** **Phone 01274 432748** **E-mail colin.standish@wypf.org.uk**

Our Aldermanbury House office is open Monday to Friday between 8.45am and 4.30PM.

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Appendix C
Glossary of Terms

Glossary of terms

Active member

An employee who is currently paying pension contributions.

Actuarial valuation

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

Additional voluntary contributions (AVCs)

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

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

Administering authority

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

Admission body

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

Asset allocation

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

Best Value

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

Brent oil price

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

Career average revalued earnings (CARE) pension scheme

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

Cash equivalent value (CEV)

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

Consumer Price Index (CPI)

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

Contracted out

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

Commutation

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

Convertible shares

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

Custodian

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

Data governance

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

Death grant

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

Deferred pensioner

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

Deficit payments

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

Denomination

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

Designating body

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

Discretion

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

Direct property

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

Eligible councillor

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

Employer covenant

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

Equity risk premium

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

Financial instruments

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

Fixed income securities

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

Fund of funds (FoF)

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

Guaranteed minimum pension (GMP)

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

General partners

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

Index-linked bonds

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

Internal rates of return (IRR)

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

Local government

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

Myners' principles

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

The Myners' principles for defined benefit schemes cover:

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

- responsible ownership
- transparency and reporting.

Ordinary shares

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

Pension board

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

Pension liberation fraud

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

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

Personal pension

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

Policy statement

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

Pooled funds

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

Private equity

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

Quality management

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

Quantitative easing

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

Related party transactions

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

Retail Prices Index

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

Rule of 85

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

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

Scheduled body

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

State Earnings Related Pension Scheme (SERPS)

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

Spot rate

This is the price quoted for immediate settlement on a commodity, a security or a currency. It's based on the value of an asset at the moment of the quote, and this in turn is based on how much buyers

are willing to pay and how much sellers are willing to accept, which depends on factors such as current market value and expected future market value.

Stakeholder pension

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

State pension age

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

State Second Pension (S2P)

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

Statutory compliance

This means following the laws on a given issue.

Stock lending

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

Subsumption

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

Transfer value

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

Transferred service

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

Treasury management

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

Unitised funds

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

Voting policy

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

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

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

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

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

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

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

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

Appendix D
Pension Administration Strategy

Contents

1. Regulatory framework and purpose

1.1 The regulations

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

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

1.2 Purpose

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

2. Review of the strategy

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

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

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

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

3. Liaison and communication

3.1 Authorised contacts for employers

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

- a **strategic contact** for valuation, scheme consultation, discretionary statements and IDRP
- an **administration contact** for the day-to-day administration of WYPF, completing forms and responding to queries,
- a **finance contact** for completion and submission of monthly postings and co-ordination of exception reports, and
- a **nominated payroll contact** who is the responsible third-party contact who can maintain a payroll authorised user list.

If they wish, employers may also nominate additional contacts via an employer authorised user list.

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

When registering, each contact should complete a Main contact registration form and Authorised user list form, and sign WYPF's user agreement for the secure administration facility.

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

3.2 Liaison and communication with employers

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

- A named Pension Fund Representative for regulatory or administration queries, training, advice and guidance.
- A named Finance Business Partner to assist with the monthly returns process
- A dedicated contact centre for member queries

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

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

4. Employer duties and responsibilities

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

4.1 Events for notification

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, WYPF will process the data within 2 weeks following monthly return submission	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, WYPF will process the data within 2 weeks following monthly return submission For exception report output from the monthly return, change data response must be provided to WYPF within 2 weeks of receipt of the exception report	90% compliance or better
			If the employer is not using monthly return, then information is due within 6 weeks of change event	

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
50/50 and main scheme elections	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission	90% compliance or better
Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 month opt-outs	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission	90% compliance or better
Leavers	Monthly return Web form Monthly returns (exception reports)		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission, else within 6 weeks of leaving For exception reports leaver forms must be provided to WYPF within 2 months of receipt of the exception report	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	90% compliance
Death in service notifications	Web form		Within 3 days of the date of notification	100% compliance

4.2 Responsibilities

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

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

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

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

4.3 Discretionary powers

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

4.4 Member contribution bands

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

4.5 Internal dispute resolution procedure (IDRP)

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

5. Payments and charges

5.1 Payments by employing authorities

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

5.2 Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission, the latest date contributions can be paid is the 19th day of the month following the month in which the deductions were made. Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th.

5.3 AVC deductions

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

5.4 Late payment

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

5.5 Payment method

Contributions (but not AVCs) should be paid to WYPF by BACS payment direct to WYPF's bank account.

5.6 Early retirement and augmentation costs

Employers have the option to pay the full early retirement cost or pay by instalments over 5 years, depending on their ability to pay. Interest is charged if the option to pay by instalments is taken, and the annual interest used Base Rate + 1%.

All augmentation cost must be paid in full in one payment.

5.7 Interest on late payment

In accordance with the LGPS regulations, interest will be charged on any amount overdue from an employing authority by more than one month.

5.8 Employer contributions

Employers' contributions rates are not fixed and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

5.9 Actuarial valuation

An actuarial valuation of the fund is undertaken every three years by the fund actuary. The actuary balances the fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and deficit payment if appropriate for each employer for the subsequent three years.

5.10 Administration charges

The cost of running WYPF is charged directly to the fund; the actuary takes these costs into account in assessing employers' contribution rates.

6. Administering authority duties and responsibilities

When carrying out their functions WYPF will have regard to the current version of the strategy.

6.1 Scheme administration

WYPF will ensure that workshops and annual meetings are held on a regular basis and actively seek to promote the Local Government Pension Scheme via the following events.

- Employer annual meeting
- Member annual meeting
- Pre-retirement courses
- New starters induction courses
- Complete guide to administration
- Your responsibilities
- Monthly contributions
- Ill Health retirement

6.2 Responsibilities

WYPF will ensure the following functions are carried out.

6.2.1 Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the LGPS

6.2.2 Create a member record for all new starters admitted to the LGPS

6.2.3 Collect and reconcile employer and employee contributions

6.2.4 Maintain and update members' records for any changes received by WYPF

6.2.5 At each actuarial valuation WYPF will forward the required data in respect of each member and provide statistical information over the valuation period to the fund actuary so that they can determine the assets and liabilities for each employer

6.2.6 Communicate the results of the actuarial valuation of the fund to each employer

6.2.7 Provide every active, deferred and pension credit member with a benefit statement each year

6.2.8 Provide estimate of retirement benefits on request by the employer

6.2.9 Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.

6.2.10 Comply with HMRC legislation

6.3 Decisions

WYPF will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

6.4 Discretionary powers

WYPF will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

6.5 Internal dispute resolution procedure (IDRP)

WYPF will deal with employer appeals at stage two of the IDRP.

WYPF will nominate an adjudicator to deal with appeals at stage one and stage two of the IDRP where the appeal is against a decision WYPF has made or is responsible for making.

6.6 Fund performance levels

The minimum performance targets are shown below.

Service	Days	Minimum target
1. New member records created	10	85%
2. Update personal records	10	85%
3. Posting monthly contributions to member records	10	90%
4. Calculate and action incoming transfer values	2 months	100%
5. Deferred benefits – payment of lump sums	3	85%
6. Provide details of deferred benefit entitlement	10	85%
7. Refund of contributions – notification of entitlement	5	85%
8. Refund of contributions – payment	5	85%
9. Action agreed transfers out on receipt of acceptance	10	85%
10. Provide estimate of retirement benefits	10	85%
11. Retirement benefits – payment of lump sum	3	85%
12. Retirement benefits – recalculation of pension/lump sum	10	85%
13. Calculation and payment death benefits on receipt of all necessary information	5	85%
14. Make death grant payment to the member's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members by		31 May
17. Annual benefit statements issued to active members by		31 August
18. Make payment of pensions on the due date		100%
19. Issue P60s to pensioners within statutory deadlines		100%
20. Provide information on request in respect of pension share on divorce within legislative timescales		100%
21. Implement Pension Share Orders within legislative timescales		100%
22. Undertake annual reviews to establish continuing entitlements to pensions for children over the age of 17		100%
23. Implement changes in pensioner circumstances for the next available pensioner payroll		100%

7. Unsatisfactory performance

7.1 Measuring performance

Both employer and WYPF targets will be measured on a quarterly basis using the Civica document management system. Employers will be notified of their performance level each quarter.

WYPF performance levels will be published on a quarterly basis in the employer newsletter. Overall employer and WYPF performance will be published by WYPF in the Report and Accounts.

7.2 Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this strategy, and this leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer. A schedule of charges is detailed in Appendix B.

Appendix a – Main contact registration and authorised user list

Main contact registration form

West Yorkshire Pension Fund | Lincolnshire Pension Fund

main contact registration oct 2016

Main contact registration form

Employer name and location code	
Employer address	

Important: please read the guidance note on **Managing your WYPF contacts** before you complete this form.

Strategic contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Administration contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Finance contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Contact at third-party payroll provider (if applicable and not listed above)

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

Date signatures valid from	**Signed (by current authorised signatory)**

Authorised user list

authorised payroll user list oct 2016

West Yorkshire Pension Fund

Employer name

Authorised payroll user list

Please give the full name, phone number and email address of the additional people you authorise to submit information for you. We will give them a secure administration account.

Full name	Phone number	Email address
Date authorised users valid from		
Signed (by current authorised signatory)		

Appendix b – Schedule of charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III), minimum half day charge of £110 + VAT + cost of recovery actions (court and legal fees). Any part or all of this charge may be waived at head of service discretion.
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th month – late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II) at £136 + VAT a day. This may be waived at head of service discretion.
4. Change in member detail	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to WYPF within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I) at £96 + VAT a day. This may be waived at head of service discretion.
5. Early leavers information	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + VAT a day. This may be waived at head of service discretion.
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + VAT a day. This may be waived at head of service discretion.
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III) at £220 + VAT a day. This may be waived at head of service discretion.
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + VAT a day. This may be waived at head of service discretion.
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I) at £96 + VAT a day. This may be waived at head of service discretion.

Performance areas	Reason for charge	Basis of charge
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify WYPF of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I) at £96 + VAT a day. This may be waived at head of service discretion.
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III) at £220 + VAT a day. This charge may be waived at head of service discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + VAT is made. This charge is for each member's record folder reference.
13. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £250 + VAT for this work.
14. Miscellaneous items: • Benefit recalculation • Member file search and record prints • Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. This charge is for each members record folder reference.

Appendix c – Charging Levels

Charges will be made on half a day basis, but for less than a quarter day no charge will be made and for more than half a day a full-day charge will be made.

Charge levels	I	II	III
Daily charge	£96	£136	£220
Half day charge	£48	£68	£110

- Level I – work at Pensions Officer level
- Level II – work at Senior Pensions Officer level
- Level III – work at Pensions Manager level

Appendix E
Funding Strategy Statement

Funding Strategy Statement (FSS)

1. Introduction

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering 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 FSSISS 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, 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, 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 1.

5.10 Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible, contributions are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund 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 and Admission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the scheduled and subsumption body funding target.

5.13 For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

5.13.1 the type/group of the employer

5.13.2 the business plans of the employer;

5.13.3 an assessment of the financial covenant of the employer;

5.13.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

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 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 guarantees from such bodies - 22 years

5.19.2 open admission bodies without a subsumption 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 sharer 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 1.

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, or by the Fund as an exit credit respectively, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on exit are set out in the separate Policy on New Employers and Exit Valuations document at Appendix 2.

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

5.30 contribution rates will remain stable as long as the requirement for contributions to be set so as the ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

Long-term cost efficiency

5.31 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

5.32 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.

5.33 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.

5.34 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)

5.35 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.

5.36 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.

5.37 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

5.38 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 be 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 2.

5.39 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 1, 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 experiences 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 of 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 mat 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 Tier3 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 particiapte. 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 Funds 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 1

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 which will ultimately give rise to Orphan liabilities 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 f t 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.

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% per annum. 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)	4.35% for Secure Scheduled bodies 4.1% Intermediate (low risk Scheduled Bodies) 3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies) 3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies) 3.3% Ongoing Orphan Admission Bodies Orphan Admission Bodies and Intermediate funding target (see paragraph 5.15)
Discount rate (left service)	4.35% Secure Scheduled Bodies 4.1% Intermediate (low risk Scheduled Bodies) 3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies) 3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies) 1.6% Ongoing Orphan Admission Bodies
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%

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.

The Admission Body is required to have an "admission agreement" with the Fund, which sets out (in conjunction with the Regulations) the conditions of participation and which employees (or categories of employees) are eligible to be members of the Fund. The Administering Authority has a template admission agreement which it will generally expect to be entered into without amendment. Details are available on request.

Bonds, Indemnities and Guarantees

The Administering Authority will seek to minimise the risks that a new Admission Body might create for the Fund and the other employers in the Fund. These risks will be taken into account by the Administering Authority in considering the application for admission, and the Administering Authority may put in place conditions on any approval of admission to the Fund to minimise these risks, such as a satisfactory guarantee, indemnity or bond and a satisfactory risk assessment. An indemnity / bond is a way of insuring against the potential cost of the Admission Body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the Fund.

Admission bodies under paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations (generally admissions as a result of a Best Value transfer), are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the Scheme employer (i.e the employer letting the contract) and the

Administering Authority. Where the Administering Authority is satisfied as to the strength of covenant of the Scheme employer, it will not usually require a minimum level of cover in order to be "satisfied" with the risk assessment, as the risk on premature termination will fall on the Scheme employer. 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 quality 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.

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 is needed from the original employer to the new employer.

When a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. For new admission bodies the Administering Authority will only agree to a deficit transferring to the new admission where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the Fund, such as new acdemies 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, 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).

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 starting point for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body. However, in determining the approach to adopt on exit the Administering Authority will also have regard to factors, including but not limited to

- The degree of funding risk attributable to the outgoing employer during its participation in the Fund;
- The contributions paid by the outgoing employer to the Fund during its participation and:
- The circumstance in which the subsumption commitment was granted and any conditions attaching to that commitment.

And will then determine, on the advice of the Fund Actuary, the appropriate funding target to be adopted on exit when assets and liabilities are being subsumed.

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 SAB[1] 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, 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.

Exit Credits

Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and this surplus is due to be paid to the exiting employers, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the employer within 3 months of the later of the exit date and the date when the employer has provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit.

In relation to employers exiting on or after 14 May 2018, where there is an agreement between the departing employer and its subsuming body that a condition of the subsumption commitment is there is no return of surplus to the departing employer on exit, and the Administering Authority is provided with written instruction to this effect, all of the former employer's assets and liabilities in the Fund will be transferred to the subsuming body, without an exit credit being paid to the departing employer. In the absence of satisfactory evidence of such an arrangement being in place, the administering authority will pay any exit credit to the departing employer as required by the Regulations.

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 existing 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 ion the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAY) 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

Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

Appendix F
Governance Compliance Statement

Governance Compliance Statement

1. Introduction

1.1 The Governance Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).

1.2 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for WYPF to the Governance and Audit Committee. The council has established three bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the council's financial regulations, the Director – West Yorkshire Pension Fund has day-to-day responsibility for the management of the fund. The Strategic Director – Corporate Services at Bradford Council, as the council's Section 151 Officer, has responsibility for signing the fund's year-end accounts.

2. Governance and Audit Committee

1.3 The Governance and Audit Committee shall comprise five members. Either the chair or deputy chair of the committee shall not be a member of the executive but at least one member shall also be a member of the West Yorkshire Pension Fund Joint Advisory group and/or Investment Advisory Panel.

Quorum

The quorum of the committee shall be three members.

Roles and functions

1.4 The functions of the committee affecting West Yorkshire Pension Fund are to:

1.4.1 approve the statement of accounts and related documents in accordance with the Accounts and Audit Regulations 2015

1.4.2 receive matters of a financial nature the external audit request be considered by a member body, including any that may concern the council's governance arrangements

1.4.3 consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti- corruption arrangements

1.4.4 seek assurance that action is being taken on risk related issues determined by auditors and inspectors

1.4.5 review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit

1.4.6 discharge the function contained in Part H of Schedule 1 of the Local Authorities (function and responsibilities) (England) Regulations 2000 (functions relating to local government pensions) and Part 1, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group

1.4.7 review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary, and

1.4.8 consider the reports of external audit and inspection agencies.

The minutes of meetings of the Investment Advisory Panel, Joint Advisory Group and Pension Board are submitted to the Committee.

3. WYPF Investment Advisory Panel

1.5 The WYPF Investment Advisory Panel (referred to as 'the panel') comprises 19 representatives. WYPF covers the geographical area of five metropolitan authorities, namely the West Yorkshire district councils of Bradford (administering authority), Calderdale, Kirklees, Leeds and Wakefield. Each of the five West Yorkshire district councils has two councillor representatives on the panel.

1.6 The other nine representatives on the panel comprise of three trade union representatives (two from UNISON and one from GMB), two external investment advisers, two scheme members, the Director – WYPF and a Chief Finance Officer from the West Yorkshire district councils on a two-year rotational basis. A facility also exists for an additional councillor representative to be co-opted onto the panel each year in the event that one of the three largest political groups in West Yorkshire is not represented on the panel through the ten councillors nominated by the five district councils. The co-opted councillor will be from Bradford Council as administering authority.

1.7 All representatives on the panel have equal voting rights.

1.8 For each municipal year a chair of the panel is nominated by the two Bradford Council councillor representatives on the panel, and a deputy chair is elected from other members on the panel. A Bradford councillor on the panel will also be a member of the Governance and Audit Committee.

1.9 The Panel meets on a quarterly basis in January, April, July and October each year. The Panel may hold a 'special' meeting at any time in the year to deal with any urgent or specific areas of business.

1.10 The panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity.

1.11 In this capacity, the panel will be responsible for formulating the broad future policy for investment. Not only will it be necessary to ensure that monies accruing to the fund are invested to greatest advantage, it will also have responsibility for monitoring the progress of all existing investments. As with all trustees, members of the panel should not allow their own personal interests, social, moral or political views to influence their decisions.

1.12 At the meetings of the panel the overall investment portfolio will be reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money.

1.13 Prior to each meeting, the Director – West Yorkshire Pension Fund will arrange to supply all members of the panel with information to enable these tasks to be undertaken. This will include a current distribution of the assets of the fund, schedules of all investments purchased or sold since the previous panel meeting, views from the fund's external investment advisers, and a complete list and up-to-date valuation of the investment portfolio.

1.14 Decisions are taken on how the new money available for the investment is to be allocated to major asset classes on the portfolio. However, the panel having once determined the level of overall investment, the specific selection of the individual securities will be left to the discretion of the in-house investment managers.

1.15 The external investment advisers on the panel will be able to guide other members of the panel in their investment adjudication.

1.16 In the event of conflict of opinion arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.

1.17 The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director – WYPF or his/her nominee, and one external investment adviser.

1.18 The Governance and Audit Committee shall have the right, in accordance with financial regulations, to overrule any decision taken by the panel if, in its opinion, the decision is not in the best interests of the WYPF.

4. WYPF Joint Advisory Group

1.19 The WYPF Joint Advisory Group (referred to as 'the group') comprises 20 representatives. There are three councillor representatives from each of the five West Yorkshire district councils, three trade union representatives, and two scheme members. All representatives on the group have equal voting rights.

1.20 There is no set pattern for meetings of the group, and the group will meet on such days as they may determine.

1.21 For each municipal year a chair is nominated by the Bradford Council representatives and a deputy chair is elected from amongst the other members of the group.

1.22 The group has overall responsibility for overseeing and monitoring WYPF's pension administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition, the group will approve the budget estimates for the pension administration and investment management functions of WYPF, and also receive WYPF's annual Report and Accounts.

1.23 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent councils.

1.24 The Governance and Audit Committee shall have the right, in accordance with financial regulations, to overrule any decision taken by the group if, in its opinion, the decision is not in the best interests of WYPF.

5. WYPF Pension Board

1.25 The WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.

1.26 The board's role is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator; and any other such matters as the LGPS regulations may specify.

1.27 The WYPF Pension Board comprises eight representatives. There are four member representatives from the trade unions (two from UNISON, and one each from Unite and GMB) and four employer representatives (one councillor from Bradford Council who will act as chair, two other councillors from the other district councils, and one employer representative nominated from all the other employers in the fund).

1.28 The board meet quarterly on such dates as they determine.

1.29 The quorum of the board shall be three (chair plus one employer representative and one member representative).

6. Annual meetings

1.30 Each year, usually in October, WYPF holds an employer annual meeting and a separate scheme member annual meeting.

1.31 At each annual meeting a keynote address is given by a guest speaker on a related pensions topic. The Director – WYPF will provide an update on the activities of the fund during the past year, and the fund's two external investment advisers will provide economic and stock market data together with details of WYPF's own investment strategy and performance.

7. Training/expenses/facility time

1.32 A bespoke training seminar is held each year for members of the Investment Advisory Panel, Joint Advisory Group and pension board. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee's Trustees Training Fundamentals event, which is a three-day training course for pension fund trustees.

1.33 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work and members can opt to attend any that they feel will be of benefit to them.

1.34 No member or representative on the Investment Advisory Panel, Joint Advisory Group or WYPF Pension Board shall be remunerated for undertaking this role. However, expenses incurred in the attending meetings, training events will be reimbursed. The cost is met by the fund.

1.35 The trade unions and active member representatives on the Investment Advisory Panel, Joint Advisory Board and WYPF Pension Board should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board.

8. Register of interests

1.36 All voting members of the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board must complete a 'declaration of acceptance of office' form and annually compete a 'conflict of interest' form.

Appendix G
Communications Policy

Communications Policy 2020/21

This policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013.

Introduction

West Yorkshire Pension Fund (WYPF), Lincolnshire Pension Fund (LPF) and Hounslow Pension Fund (HPF) entered into a collaboration agreement for shared service from April 2015. The funds are administered jointly by WYPF, referred to in this policy as 'the administrator'.

This policy has been prepared to meet our objectives about how we communicate with key stakeholders. The administrator currently administers the Local Government Pension Scheme (LGPS) for 700 employers and has over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters' Pension Schemes both old and new for a number of fire authorities. This policy is effective from January 2019 and will be reviewed annually.

Our stakeholders

For all of the schemes that we administer, our stakeholders include:

- members
- representatives of members
- prospective members
- employing authorities.

Key objectives

- Communicate the scheme regulations and procedures in a clear and easy to understand style
- Use plain English for all our communications with stakeholders
- Identify and use the most appropriate communication method to take account of stakeholders' different needs
- Use technologies to provide up to date and timely information to stakeholders
- Engage with our stakeholders face-to-face when possible

Evaluation and continuous development

To ensure we are meeting the expectations of our stakeholders and to evaluate the effectiveness of our communications we will use the following methods:

- feedback questionnaires
- monitoring compliments and complaints, and
- customer surveys.

To ensure continuous development we plan to:

- continue to increase the number of registered users for MyPension.
- broaden our use of digital platforms to engage stakeholders
- improve the web provision for firefighters, and
- increase the information we give to employing authorities when they join the scheme or change main contacts.

Communications events 2020/21 – Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members and prospective members)	Newsletter	2/3 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print/web
	Member fact sheets	On request/constant	Print/web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop ins	On employer request	Face-to-face
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/e-mail
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
LGPS deferred members (including representatives of deferred members)	Newsletter	1 per year	Mail
	Annual benefit statement	1 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web
LGPS pensioner members (including representatives of retired members)	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phonee-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web

Communications events 2020/21– firefighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)	Newsletter	At least 1 per year	Mail
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Introduction to WYPF	On employer request	Presentation

Communication	Format	Frequency	Method of distribution
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop-ins	On employer request	Face to face
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Scheme booklet	Constant	Web
Firefighter deferred members (including representatives of deferred members)	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
Firefighter – pensioner members (including representatives of pensioner members)	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

Communications events 2020/21 – councillors

Communication	Format	Frequency	Method of distribution
Councillor members (including representatives of members)	Newsletter	1 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	E-mail
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Meeting/face-to-face
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web

Communications events 2019/20 – employing authorities

Communication	Format	Frequency	Method of distribution
Employing authorities	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and round-up	12 per year and when required	Wordpress blog and e-mail
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face

Communication	Format	Frequency	Method of distribution
	Workshops	10 per year	Face-to-face

Member contacts

Contact centre
Phone (01274) 434999
Email wypf@bradford.gov.uk

Postal address
WYPF
PO Box 67
Bradford
BD1 1UP

Employer contacts

Stuart Duncombe (Team Manager – Business Relations) 01274 432763

Pension Fund Representatives

David Parrington	01274 433840
Sheryl Clapham	01274 432541
Lisa Darvill	01274 432540
Kaele Pilcher	01274 432739
Anisa Patel	01274 437588

WYPF Management

Rodney Barton	Director – WYPF
Yunus Gajra	Assistant Director Fin, Admin & Governance
Grace Kitchen	Head of Service – Members Services
Ola Ajala	Head of Finance
Caroline Blackburn	Head of Employer Services and Compliance

Appendix H
Investment Strategy Statement

Investment Strategy Statement

1. Introduction

1.1. The Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

1.2. City of Bradford Metropolitan District Council became the administering authority of West Yorkshire Pension Fund in 1986. The fund covers the five district councils of West Yorkshire together with numerous other employers.

2. Investment decision making process

2.1. The council has delegated all its functions as administering authority of the pension fund to the Governance and Audit Committee. The Director – West Yorkshire Pension Fund, who reports to the Chief Executive, has day-to-day control of the management of all aspects of the fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the fund's investment functions.

2.2. The panel determines the investment policy of the fund and has ultimate responsibility for investment strategy. The panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.

2.3. Once the investment strategy has been set at the quarterly meetings of the panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

3. Variety of investments to be held

3.1. West Yorkshire Pension Fund will hold investments in fixed-interest securities, equities, index-linked securities, managed and unitised funds (including property unit Trusts), alternative investments, and cash deposits, covering all the world markets.

3.2. A proportion of the fund's investments will be held in emerging markets, both through direct investments and pooled vehicles.

3.3. The fund will invest in private equity, infrastructure, hedge funds and listed alternatives, which together with property will be classed as alternative investments.

3.4. The fund will not invest directly in unquoted companies, except where such investment is part of a pooled arrangement or joint venture with one or more pension funds.

3.5. Stock lending will be actively pursued up to a 35% limit. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

4. Suitability of particular types of investment

4.1. The biggest proportion of the fund's investment will be in equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.

4.2. Fixed-interest securities, index-linked securities, alternative investments and cash deposits will make up the balance of investment. The distribution of investments between the asset classes will vary based on perceived economic and market conditions.

4.3. The fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2016/17 the fund will invest within the following control ranges for each asset class. Depending on market conditions, the fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

	Range %
Bonds – total	**14–20**
UK Fixed-interest gilts	2–8
UK Index-linked gilts	2–8
Corporate bonds	1–7
Global bonds	1–5
Equities – total	**57.5–72.5**
UK equities	30–40
Overseas equities	25–40
Property	**3–7**
Private equity	**3–7**
Private infrastructure	**2–6**
Hedge funds	**0–4**
Listed alternatives UK	**0–4**
Listed alternatives overseas	**0–2**
Cash	**0–5**

5. Risk

5.1. To minimise risk, the investment portfolio of the fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.

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

5.3. The fund recognises the risks and opportunities associated with climate change, and will seek to measure carbon exposure within the equity portfolio and reduce that exposure over time. The fund will continue to increase investment in low-carbon technology and renewable energy in order to encourage and facilitate further progression toward a cleaner economy.

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

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

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

6. Expected return on investments

The fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by an approved third party.

7. Collaborative investment and pooling

7.1. WYPF has signed a memorandum of understanding with the Greater Manchester and Merseyside Pension Funds to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by government on 25 November 2015.

7.2. The three funds submitted their pooling proposal to government in July 2016 and the Department for Communities and Local Government provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on the website

7.3. Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool is £35.416bn, which is in excess of the £25bn criteria set by government. All assets other than day-to-day cash used for scheme administration purposes will be invested via the Pool once transition is complete. Day-to-day cash is assumed to be 1% of total assets for each fund.

7.4. For the immediate future after inception of the Pool, the fund's public-market assets will continue to be held in segregated mandates owned directly by the administering authority, but managed by the Pool. A single custodian will be appointed by the Pool, which will simplify the future consolidation of mandates.

7.5. All non-listed assets will be managed by the Pool from its formation. Subject to value for money requirements being fulfilled, new investments (i.e. those entered into after the formation of the Pool) in private market assets will be made on a shared ownership basis, via either collective investment vehicles or limited partnerships.

7.6. Legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.

7.7. This approach will be reviewed periodically going forwards to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally.

7.8. The reviews will take place no less than every 3 years.

7.9. Once established it is intended that the Pool will provide the following services to the participating authorities on an in-house basis.

- Implementation of the strategic asset allocations of the participating authorities
- Management of UK and overseas equities and bonds
- Selection of private equity, infrastructure & property funds.
- Direct UK infrastructure investment via a collective investment vehicle
- Legal and accounting support

7.10. It is intended that the Pool will externally procure the following services.

- External fund management for certain mandates
- Common custodian for the Pool (plus depositaries and fund administrators where required for any pooled funds that are established for non-listed assets)
- Investment management systems
- Audit services
- Performance analytics
- Responsible Investment advisory services
- Value for money reviews of structure

7.11. A Pool Oversight Board will be established to:

- provide oversight of the Pool; and
- act as a forum for the participating authorities to express the views of their pension committees.

7.12. The Oversight Board's primary roles are to ensure that the Pool is effectively implementing the participating authorities' strategic asset allocations and to oversee reporting to the participating authorities' pension committees.

7.13. The legal structure of the Oversight Board is expected to be a joint committee. There will be clear separation of duties between the Oversight Board and the Pool. The Oversight Board will not be undertaking any regulated activities.

7.14. The Pool's governing documentation will grant the Oversight Body and each administering authority certain powers regarding the operation of the Pool, which can be used to ensure the effective performance of the Pool.

7.15. Reporting processes of the Pool will include regular written reports on the performance of Pool investments to the Oversight Body, which will be discussed at formal meetings.

7.16. Officers of the Pool will also report to and present directly to the administering authorities' pension committees and local pension boards as appropriate.

7.17. A report on the progress of asset transfers will be made to the Scheme Advisory Board annually.

8. Transaction costs

8.1. The in-house team of investment managers utilise a list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and overseas share transactions are at competitive rates negotiated by the in-house investment managers.

8.2. Transaction fees and custody fees are paid to HSBC for transactions on terms agreed with HSBC under the contract for banking and custody services.

9. Environmental, social and corporate governance policy

9.1. Investment decisions are taken based on financial and commercial considerations so as to yield the best return by way of income and capital appreciation. If it is shown that particular types of social, environmental and ethical investment can produce at least comparable returns, then the fund will invest in such companies as part of the normal investment process.

9.2. The fund will actively invest in low carbon and renewable energy technology where suitable opportunities arise, in order to encourage a move toward a lower carbon economy. The fund will increase exposure via infrastructure funds, equity investments and alternative investments. The fund will continue to encourage companies to consider climate change and environmental risk in their business strategies, and will co-sign shareholder resolutions at company annual general meetings where appropriate.

9.3. The voting policy of West Yorkshire Pension Fund is viewed as a fundamental contribution towards socially responsible investment. The fund is committed to ensuring that the companies in which it has a shareholding adopt sound principles of corporate responsibility, particularly in relation to environmental and employment standards. The fund will utilise its shareholding wherever possible, through the voting policy and engagement, to exert influence on those companies falling short of acceptable standards.

9.4. WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 70 local authority pension funds with combined assets of over £175 billion. The forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The forum issues research and guidance relating to climate change and employment standards and promotes best investment practice for the Local Government Pension Scheme nationally. The forum regularly engages directly with large companies in this regard and has been effective in improving companies understanding of the requirements of investors. Representatives of the LAPFF have attended the annual general meetings of companies where shareholder resolutions have been brought, and these have been well received by the companies involved.

9.5. WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

9.6. The WYPF first became a signatory to the Carbon Disclosure Project (CDP) in 2007. The CDP seeks information from over 2,750 companies world-wide on their Greenhouse Gas Emissions.

10. Exercise of rights attached to investments

10.1. West Yorkshire Pension Fund will exercise its voting rights at the annual and extraordinary general meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, Japanese companies in the TOPIX index, and companies in all other countries, in which the fund has a shareholding. The voting policy to be adopted by the fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry that provides policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the fund's voting policy, and its voting activity, are published on the fund's website.

10.2. Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.

10.3. The fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

11. Myners' Report

11.1. In 2000, the government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners of Gartmore Fund Management Group. Paul Myners published the outcome of his review in a report in March 2001. In response to the proposals contained in the review, the Government issued a set of investment principles. Since then HM Treasury has undertaken a review of the principles following a consultation, which was based on a study commissioned by the Government and carried out by the National Association of Pension Funds. The outcome of the consultation has been to produce a smaller number of high-level principles, and they cover the six areas of effective decision making: clear objectives; risk and liabilities; performance assessment; responsible ownership; transparency and reporting.

11.2. The extent to which WYPF has adopted these investment principles is described in the following paragraphs in accordance with the guidance issued by the Secretary of State for Communities and Local Government.

12. Effective decision-making

The Investment Panel encompasses a range of expertise, supported by external investment advisers and the in-house team of investment managers. In fact, the external investment advisers and senior investment managers attend all meetings of the panel so as to provide the necessary expert advice to support the panel members in coming to their decisions. Great emphasis is placed on training for panel members, and a number of initiatives on this front have been, and continue to be, developed. Attempts are being made to ensure that panel members have a minimum tenure of appointment of at least three years on the panel so as to ensure continuity and a build-up of experience. An annual business plan for the panel is produced.

13. Clear objectives

Members of the panel take a long-term view in setting investment objectives. Investment objectives are set for the fund itself, which have due regard to the fund's Investment Strategy Statement and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

14. Risk and liabilities

Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments

15. Performance assessment

The panel formally monitors the investment performance of the fund annually at one of its meetings, and an assessment is made of the in-house managers' and external investment advisers' performance against the investment

target return. Since 2005 the fund has used a fund-specific benchmark to compare actual asset allocation and investment returns. Arrangements have been put in place for several years now for the external investment advisers to assess the effectiveness of the panel itself on an annual basis.

16. Responsible ownership

WYPF actively votes its shares in all UK companies, the top 300 European companies, the US S&P 500 companies, the Japanese TOPIX companies and in companies in all other countries, in which it has a shareholding. WYPF also jointly engages with companies through its membership of the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change, and the Carbon Disclosure Project.

17. Transparency and reporting

The Investment Strategy Statement is regularly updated and is available on the fund's website. Details of the fund's voting policy and voting activity are also published on the website.

Appendix I
Conflict of Interest Policy

1. Introduction

1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

1.3 This is the conflict of interest policy of West Yorkshire Pension Fund (WYPF), which is managed by City of Bradford MDC (CBMDC). The policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of WYPF whether directly or in an advisory capacity.

1.4 This conflict of interest policy is established to guide Joint Advisory Group, Investment Advisory Panel, pension board members, officers and advisers. Along with other constitutional documents, including the various codes of conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the fund otherwise.

2. Aims and objectives

2.1 In relation to the governance of the fund, the administering authority's objectives are to ensure that:

2.1.1 all staff and Joint Advisory Group, Investment Advisory Panel and pension board members charged with the financial administration and decision-making with regard to the fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them

2.1.2 the fund is open in all its dealings and readily provides information to interested parties

2.1.3 all relevant legislation is understood and complied with

2.1.4 the fund is at the forefront of best practice for LGPS funds, and

2.1.5 all conflicts of interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the administering authority achieving its governance objectives.

3. Application of this policy

3.1 This conflict of interest policy applies to all Joint Advisory Group, Investment Advisory Panel and pension board members, including scheme member and employer representatives, whether voting members or not. It applies to all members of WYPF management team.

3.2 This policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.

3.3 The Director – WYPF will monitor potential conflicts for less senior officers involved in the daily management of the pension fund and highlight this policy to them as appropriate.

3.4 This policy also applies to all advisers and suppliers to the fund, whether advising the Joint Advisory Group, Investment Advisory Panel, pension board or fund officers, in relation to their role in advising or supplying the fund.

3.5 In this policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the administering authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third-party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to 'advisers' is to

the lead adviser(s) responsible for the delivery of advice and services to the administering authority rather than the firm as a whole.

3.6 In accepting any role covered by this policy, those individuals agree that they must:

3.6.1 acknowledge any potential conflict of interest they may have

3.6.2 be open with the administering authority on any conflicts of interest they may have

3.6.3 adopt practical solutions to managing those conflicts, and

3.6.4 plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

3.7 The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

4. Legislative and related context

4.1 There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

5. Other administering authority requirements

5.1 Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

5.1.1 Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct

5.1.2 employees who are required to adhere to the CBMDC Employees' Code of Conduct

5.1.3 advisers who are expected to have their own policies or protocols.

5.2 Further information is provided in Appendix 2.

6. What is a conflict or potential conflict and how will it be managed?

6.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when an individual:

6.1.1 has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and

6.1.2 at the same time, has:

6.1.2.1 a separate personal interest (financial or otherwise) or

6.1.2.2 another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

6.2 Some examples of potential conflicts are included in Appendix 3.

6.3 CBMDC encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

6.4 CBMDC will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise. Ways in which conflicts of interest may be managed include:

6.4.1 the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue

6.4.2 the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue

6.4.3 a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

6.5 Provided that the administering authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, CBMDC shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

7. Responsibility

7.1 The administering authority for the WYPF fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director – WYPF is the designated individual for ensuring the procedure outlined below is adhered to.

7.2 However, it is the responsibility of each individual covered by this policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

8. Operational procedures

8.1 Declaration at appointment

8.1.1 On appointment to their role or on the commencement of this policy if later, all individuals will be provided with a copy of this policy and be required to complete a Declaration of Interest form. The information contained in this declaration will be collated into the pension fund's register of conflicts of interest.

8.2 Declaration at meetings

8.2.1 At the commencement of any Joint Advisory Group, Investment Advisory Panel, pension board or other formal meeting where pension fund matters are to be discussed, the chair will ask all those present who are covered by this policy to declare any new potential conflicts.

8.2.2 These will be recorded in the fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available by the Director – WYPF to the chair of every meeting prior to that meeting.

8.2.3 Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting must advise the chair and the Director – WYPF prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The chair, in consultation with the Director – WYPF, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.

8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Director – WYPF and where it relates to the business of any meeting, also to the chair of that meeting. The Director – WYPF, in consultation with the chair where relevant, will consider any necessary action to manage the potential or actual conflict.

8.2.5 Where information relating to any potential or actual conflict has been provided, the Director – WYPF may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.

8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the fund's Register of Conflicts of Interest.

8.3 Annual declaration

8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the register is correct or highlighting any changes that need to be made to the declaration.

8.4 Conduct at meetings

8.4.1 There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The administering authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this

clearly, e.g. at a pension board or Joint Advisory Group or Investment Advisory Panel meeting, and that this will be recorded in the minutes.

9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

9.1.1 be provided with a copy of this policy on appointment and whenever it is updated

9.1.2 adhere to the principles of this policy

9.1.3 provide, on request, information to Director – WYPF as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to CBMDC as administering authority, and

9.1.4 notify the Director – WYPF immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the fund's Register of Conflicts of Interest.

10. Monitoring and reporting

10.1 The fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition, information relating to conflicts of interest will be published in the fund's annual Report and Accounts.

10.2 In order to identify whether the objectives of this policy are being met, the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

11. Key risks

11.1 The key risks to the delivery of this policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed. The Director – WYPF will monitor these and other key risks and consider how to respond to them, taking advice from the City Solicitor where required. The key risks are:

11.1.1 insufficient training or poor understanding in relation to individuals' roles on pension fund matters

11.1.2 Insufficient training or failure to communicate the requirements of this policy

11.1.3 Absence of the individual nominated to manage the operational aspects of this policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this policy, and

11.1.4 Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

12. Costs

12.1 All costs related to the operation and implementation of this policy will be met directly by WYPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this policy.

Appendix J
Risk Management Report

WYPF Risk Management Report

Introduction

WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

WYPF has identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior managers and covers 13 categories of risk as shown below.

Identified risks

Scenario	Short name
Economic	
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports
61	Employer no longer able to meet its liabilities to the fund
Political	
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel and JAG members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
55	Impact of Central Government Budget cuts
Technological	
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data
62	Cyber crime
Legislative/Regulatory	
19	Lots of legislative/regulatory change with no resource given to implement
35	Administration of the LGPS
58	Investment Pooling
59	Northern Pool custodial contract
60	HSBC Global, security and Custodial (GSC) + Banking Contract
63	Compliance with requirements of GDPR
64	LGPS regulation changes as a result of McCloud ruling

Managerial/Professional	
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
49	Key staff on long term absence

Finance	
23	Finance aren't always involved in other sections' decision making processes
31(a)	External fraud – Life Certificates
31(b)	External fraud – Returned payments/payslips
31(c)	External fraud – Children in full time education

36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund
42	Admin costs
48	Prompt payment of pension
65	Loss of shared service contracts
Physical	–
Competitive	
27	Lack of PIs and overall performance management framework
Customer / Citizen	
43	Customer Satisfaction
Social	
4	Reduction in proportion of active members
Partnership / Contractual	
	Shared Service with the fire authorities
57	Lincolnshire Pension Fund and Hounslow Pension Fund Shared Services

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high. Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG and Pension Board members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by District Councils than other Employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
53	Fire Authority Shared Service

55	Impact of Central Government Budget cuts
57	Lincolnshire Pension Fund and LB of Hounslow Shared Service
58	Investment Pooling
62	Cyber Crime
63	Compliance with requirements of GDPR
64	LGPS regulation changes as a result of McCloud ruling
65	Loss of shared service contracts

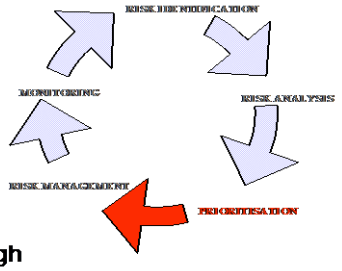
To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

As part of a regular review, 46 risks have been identified and framed into scenarios. The risks identified have been rated, 23 of these above their acceptable tolerance level, 23 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – January 2021

Likelihood	IV	III	II	I
A				
B		9, 19,	55	
C		1, 24,	2, 4, 6, 12, 13, 21, 22, 41,45, 64,65	
D		7, 8, 17, 31(c), 40, 42, 46, 50,61	10, 31(b), 43, 44, 48,,49, 60,62	53, 57,63
E	27	15,	3, 5,, 16, 31(a), 36, 47, 51	
F			35	

Impact



Likelihood:

A	Very high
B	High
C	Significant
D	Low
E	Very low
F	Almost impossible

Impact:

I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAP's were then agreed for those risks above the tolerance line and are specified below:

	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
2	C2	If the Fund is in deficit employer contributions could increase which could lead to employers defaulting on their liabilities. Triennial Valuation undertaken on the Fund using a range of financial assumptions as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least : • Falls in expected investment returns • Fall in markets values • Rising inflation • members living longer the funding position of the fund could deteriorate	Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making Due to potentially decreasing payroll deficit amounts are set as -monetary amounts at the valuation Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years Monitoring of closed employers Quarterly funding updates provided by Funds Actuary	Deteriorating funding positions could result in an increased employers deficit contributions to eliminate deficit Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years - 31 March 2022	Active engagement with employers' and members to reduce cost impact and increase membership.
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings as detailed in the Funds Communication Policy. Introduction of Auto Enrolment has increased membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 400+ including 5 district councils.	Yunus Gajra	• Fund continues to show as positive cashflow • The ISS is regularly reviewed to ensure its consistent with maturity profile of the Fund	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.

	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
6	C2	Council elections could bring about a change to Investment Panel, JAG and Pension Board members	Training plans for new members to be drawn up. Seek views from District Councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings		Establish a standard training plan for new members, programmed training review for Panel and JAG members and use members feedback to further develop.
10	D2	Civica Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: • Civica user group • LGPS group • Payroll user group	Ensure regular attendance and report back from the User Groups/Meetings as necessary. .	Yunus Gajra	Improved systems , costs savings, better reporting, employer internet, member internet facilities available, increase the number of UPM auto calculations Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market, Effective and efficient system, with scalable capacity to support shared services.
12	**C 2**	**Too much information is supplied by employers on paper medium.**	Enhancements to UPM2 are continuing. Monthly Returns expanded to increase the information supplied electronically	Develop employers web site	Yunus Gajra/Ola Ajala	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.

	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
13	C2	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems (refer to Business Continuity Plan).	Staff enabled to work from home with access to all systems.	Yunus Gajra	Full disaster recovery plan in place which enables business to operate as usual during any disaster	Annual	Ongoing	System resilience, essential in providing 3rd party services – shared services.
21	C2	Greater level of support required / expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Yunus Gajra	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.
22	C2	Recruitment and retention of experienced staff in Pensions Administration,	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure. Restructure of WYPF completed September 2020	Monitor salaries in both public and private sector. Increase flexible working to retain staff, home working available to all staff. Looking at 2 to 3 days in the office.	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades. Attractive flexible working, home working and mobile working
31 (b)	D2	External Fraud	Generally adequate but any future opportunities will be investigated. Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit. Accurate Data engaged to support the work to find addresses of lost contact Deffered members	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI twice a years, use of death screen facility to track deaths –	Grace Kitchen	No cases of fraud or earlier discovery Establish tighter controls in system for production of data for NFI exercise	Annual		Carry out regular data cleansing exercises –.
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits. Asset and liability study being done.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing		Long term business planning for the fund and increase covenant activities with employers to support employers' with cost management and planning

	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
43	D2	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance compliance statement and Communications policy published.	Revise ISS each year Review annually: Pensions Administration Strategy, Communication Strategy	Yunus Gajra JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	Annually	Attract new business to the Fund
44	D2	Payroll failure	Payroll contingency plan in place Disaster Recovery plan in place	Review plans	Yunus Gajra/Grace Kitchen	No effect on service provision	As required	Ongoing review	Able to run payrolls for other Funds. Opportunity to provide disaster recovery to ther funds.
45	C2	Industrial Action	Contingency plans in place	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required		Flexible working available to all staff.
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required		Able to run payrolls for other Funds
49	D2	Key staff on long term absence	Document all procedures to ensure cover is available from other staff.	Monitor absences and take action at key dates. Delegation and succession planning.	Senior Managers	No effect on service provision	As required	As required Annually	A register of casual staff is maintained to provide cover at short notice.
53	D1	Fire Authority Shared Service	Adequate	Regular meetings with the Fire Authorities	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Quarterly	Ongoing	Provide service for other FA's/

	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
55	B2	Impact of Central Government Budget cuts	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing	Increase staffing numbers – benefit for local economy.
57	D1	Lincolnshire, LB of Hounslow and LB Barnet Pension Fund Shared Service	Governance arrangements in place (regular client meetings, Collaboration Board, attendance at Pensions Committee).	Regular shared service meetings and Collaboration Board meetings with LPF, Barnet and LB of Hounslow. Increased staffing resource – new client manager.	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Ongoing	Ongoing	Provide service for other LA Funds
62	D2	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal. Staff training / awareness, increased IT equipment / asset control. Routine blog to employers and members to raise cyber crime awareness	Yunus Gajra	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.
63	D1	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3rd parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff. Accreditation to ISO 27001	Security policies in place, Mandatory Training for Staff	Yunus Gajra	A reduction in security breaches	Ongoing		

	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
64	C2	Not enough resources to deal with Compliance with the McCloud ruling	Identify members potentially impacted by the ruling and: 1) engage with Civica for calculations to be amended 2) amend in house processes and work instructions 3) recalculate DB's, retirements, transfers out, aggregations, trivial commutations and death benefits since 1 April 2014.	Respond to McCloud consultation to ensure enough notice to changes if given Analyse membership to identify those affected Planning of resources to address additional work in the Service Centre	Technical and Development Manager WYPF IT Service Centre Manager	Identifying members in scope. Civica calculations updated Recalculating pension benefits and payment of any arrears or balances to members/beneficiaries /3rd parties..	Ongoing	Oct 20 and then when regs issued. (1 April 2022)	
65	C2	Loss of shared service contracts	Contract requirements are fulfilled	Maintain a healthy working relationship with each client by: • Having regular client meetings • Providing monthly client reports • Involve clients in major decisions • Managing admin costs efficiently • Meet KPI's and other contractual obligations • Ensure value for money for clients and WYPF	Yunus Gajra	Contracts are renewed	On-going	Contract end dates	Bid for new contracts to replace any that we might lose. Invest in increase system automation to reduce impact.

The risks identified but below their acceptable tolerance level require no further action at this time.

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition, each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

Appendix 1
Risks register

No	**Rating**	***Cluster***	***Short name***	Vulnerability	Trigger	Consequence
1	C3	Economic	Demographic changes	Demographic changes are happening but are not always built into financial and resource planning. (Customer base nationwide – current members 101,079, deferred members 85,696, frozen refunds/undecided leavers 10,663, pensioners 100,869. Total 248,528 as at 31/03/2021)	Demographics not built into future planning	• Budget doesn't meet demand • Criticised for not providing a good service • Bad publicity
2	C2	Economic	Valuation continues to register a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	• Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact • Customer complaints about 'pension pay-offs'

No	Rating	*Cluster*	*Short name*	Vulnerability	Trigger	Consequence
3	E2	Political/Economic	Governance (Strategic)	Understanding of issues at high officer and Member level. Clear risk, return and contribution objectives Consistent FSS and ISS documents in place The purpose of the FSS is : to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met and must be consistent with the published Investment Strategy Statement and the Fund's actuarial assumptions. It should support the aim of maintaining as nearly constant employer contribution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.	Un-coordinated operation caused by lack of understanding	• The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level • Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisors and do not challenge advice • panel composition not representative of all bodied in the Fund • Overall investment objectives do not represent what members of panels consider necessary to meet the Fund's liabilities given their understanding of contributions likely to be received from employers and employees and do not take account of their attitude to risk • Unstable contribution rates • Too much reliance put on benchmarking with other funds, without considering the specific circumstances of WYPF
4	C2	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	• Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and ISS become out of date • Less time to make up any deficits so more unstable contribution rates
5	E2	Political	Service has a good, well respected status among members – this could change	The service has a good professional status. It is well respected by members and therefore the budget isn't affected.	Service loses it's status/ reputation	• Budget cut • Actively look at outsourcing/partnership • Look at alternatives • Project process unmanageable • Lack of trust in information provided • Closer scrutiny of pension fund activities
6	C2	Political	Council elections could bring about a change to Investment Panel ,JAG and Pension Board members	Panel members and Chair are very effective and knowledgeable and give good support to the service. There is a good relationship.	Major changes to composition of panels	• Loss of effective support • Learning curve

No	Rating	*Cluster*	*Short name*	Vulnerability	Trigger	Consequence
7	D3	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	• Loss of control over budget spend • Imposition of "Bradford" systems inappropriate to WYPF • Politicises JAG and Investment Panel • Service delivery reduced • Diversion from core activity
8	D3	Political	Central Government regionalisation agenda	Possible regionalisation of pension funds Could be asked to compete against other LG Funds or the private sector	Becomes Government policy	• Admin costs rise to unacceptable levels • Culture change • Cost pressure • Fail to become provider for Yorkshire region • Staff relocation • Staff redundancies • Bad publicity for Bradford • Become provider for Yorkshire • Increased resource requirement • Good publicity
9	B3	Political	Central Government Pensions policy	Independent Commission on Public Service Pensions set up to look at reforms to public sector pension schemes.	Increased complexity	• Risk of non-compliance – bad publicity and fines • Dilutes development of systems • Increased admin costs • Increased communications costs
10	C2	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	• E-government cannot be supported • Increased time and support needed for number crunching • Less added value support
12	C2	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis Deadlines not met	• People can't access vital information in a timely manner • Sustainability issues • Transcription errors • Delays • Invalid employer contribution rates set • Invalid ABS's sent to members • ABS's not sent to members • Non compliance • Bad publicity • Key objective not met
13	C2	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster	Minor incident occurs	• Can't back up the data

No	Rating	*Cluster*	*Short name*	Vulnerability	Trigger	Consequence
				recovery plan but some systems aren't including the e-mail system and the main council systems and communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc. Link with 35	Major incident occurs	• Loss of service • Permanent data loss • Loss of income • Inability to pay pensioners
15	E3	Technological	Current software providers pull out of the market or are taken over	Current providers – Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	• other systems available but enforced change time consuming • pressure on staff
16	E2	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	• Loss of data • Corrupt data • Incorrect payments • Breach of DP Act
17	D3	Technological	Loss of IT staff	More attractive salaries in the private sector may attract experienced IT staff	Impact of Bradford-i	• Learning curve • Pressure on remaining staff • Reduction in service delivery • Delays in development work

No	Rating	*Cluster*	*Short name*	Vulnerability	Trigger	Consequence
19	B3	Legislative/ Regulatory	Lots of legislative /regulatory change with no resource given to implement it	Lots of legislative/regulatory change resulting in additional work with no resource given to implement them. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/ regulatory changes adequately	• Benchmarking costs rise • Increased pressure on staff • Don't adopt legislation • Service criticised • Duties and responsibilities not fully adopted • Ombudsman cases • Incorrect payment of benefits • Growing complexity of administration • Risk of non compliance • Key objective not met • studies not completed • general pensions knowledge declines • give ill advice • pressure on staff • staff don't have up to date, consistent knowledge and understanding
21	C2	Managerial/ Professional	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	• Staff frustrated • Reduced level of service to other employers
22	C2	Managerial/ Professional	Recruitment and retention of experienced staff in Pensions Administration	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	• Pressures on existing staff • Activities are ineffectively carried out • Difficulties in succession planning • Pressure to offer more lucrative packages • Reliance on agency/temporary staff • Escalating staff costs • Gaps appear in structures • Adverse impact on service delivery • Loss of experienced staff • Stagnation • Carrying vacancies
24	C3	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	• Act 'ultra vires' • Promises made that can't be met
27	E4	Competitive	Lack of PIs and overall performance management framework	Local Best Value PI's in Pensions. There are LGPC PI's but they are not adequate to monitor overall performance and a new system needs to be introduced with monitoring as part of service planning. There are competing priorities and every authority is struggling to define PIs. Link with 8	Don't develop PI's within an overall performance framework	• Can't manage performance effectively • Fail to meet explicit objective

No	Rating	*Cluster*	*Short name*	Vulnerability	Trigger	Consequence
31(a)	E2	Finance	External Fraud – Life Certificates	To introduce further measures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un-notified deaths	Further measures not introduced	• overpaid pensions • court cases • time commitment • key objective not met
31 (b)	D2	Finance	External Fraud – Returned payments/payslips	To introduce further measures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un-notified deaths	Further measures not introduced	• overpaid pensions • court cases • time commitment • key objective not met
31 (c)	D3	Finance	External Fraud – Childern in full time education	To introduce further measures which may reduce the number of overpaid pensions and potential fraud cases.	Further measures not introduced	• overpaid pensions • court cases • time commitment • key objective not met
35	F2	Legislative /Regulatory	Administration of the LGPS	Administer WYPF so as to provide occupational pensions for employees of the participating employers in accordance with statutory requirements Link with 13	Unable to provide service	• key objective not met
36	E2	Finance	Maximise Council surplus balances	Maximise the returns from external investment of any surplus cash balances of the Council		• loss of income • key objective not met
40	D3	Finance	Governance (Operational)	Expectation clearly set out for all advisors – Fund Managers, Advisors, Custodian, and Actuary	Accounts now have coordinated statements for panel, advisors, performance expectations of dept and the long term funding strategy statement , strategic asset allocation etc. Targets / statements all clear, consistent and in place. WM to measure performance quarterly. In house targets for Q analyses for individual fund managers (ongoing)	• Panels, fund managers, advisors operate in an un-coordinated way or set their own parameters for performance • Individuals performance not gauged and remedied where necessary • Sub-optimal performance of investments • Poor long term investment performance • Missing assets • Disputes over title • Late reports • Changes to assumptions mid stream • Targets not set • Timescales not set
41	C2	Finance	Pressure on General Fund	Funding level is a fundamental guide to the solvency of the Fund Maturity of the scheme influences the investment strategy adopted Employer contribution rate	Funding level falls to unacceptable level	• Low funding level will raise ER's contribution rate • ER's contribution rate unsustainable pressure on LGPS from Central Govt. • Employers cease admitting new members • Employers stop joining the Fund • Then becomes risk 4

No	Rating	*Cluster*	*Short name*	Vulnerability	Trigger	Consequence
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	• Review in-house provision • Budget cuts • Service cuts • Partnership arrangements • Bad publicity
43	D2	Customer/Citizen	Customer Satisfaction	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	• Fines • Bad publicity • Shrinking user base
44	D2	Technological	Payroll failure	Contingency plans in place	BACS failure UPM system failure Hardware failure	Worst case scenario, around 70,000 53,287 pensions not paid on time
45	C2	Political	Industrial Action	Possible industrial action over reforms to LGPS	Ballot in favour of action and no Government intervention	• Pensions not paid • Backlog of work on return • Delayed SAP implementation • Additional admin work to input strike breaks
46	D3	Economic	Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	• Increase in employer contribution rate across the Fund • Increase in liabilities across the Fund Possible bad publicity
47	E2	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	• Data falls in the wrong hands and used for criminal purposes • Bad publicity • Loss of trust and confidence in WYPF
48	D2	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	• Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors
49	D2	Managerial/Professional	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	• Impact on service provision (Staff, Employers, Scheme Members etc) • Crucial tasks are not performed
50	D3	Managerial/Professional	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	• Information could be passed on • Records updated inappropriately • Contravene DP Act
51	E2	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	• Funds might go bust resulting in losses for the Fund
53	E3	Partnership/Contractual	Fire Pension Scheme Administration	WYPF administers the Fireman's Pensions Scheme on behalf of 11 Fire Authorities	Lose contracts	• Will not be able to provide a pensions administration service to the FA's • Will not be able to pay pensions or process work • ICT systems not available • Damage to WYPF Reputation • Bad publicity

No	Rating	*Cluster*	*Short name*	Vulnerability	Trigger	Consequence
						• Loss of income
55	B2	Political	Impact of Government Budget cuts	Cuts in Local Authority budgets will lead to a reduction in workforce.	Increase in member contribution rate	• Increase in opt outs from the scheme • Reduction in public sector workforce leading to reduction in pension scheme membership • Possible strike action
56	D2	Financial	Monthly Contribution Returns	This has replaced annual returns and will lead to greater efficiencies.	The LGPS 2014 and the move to a career average scheme	• Salary details will not be posted to members records • Benefits will not be able to be calculated accurately • IT systems will not be action the returns from Employers • Timescales not met
57	D1	Partnership/Contractual	Lincolnshire and LB of Hounslow Pension Fund Shared Service	To provide a pensions administration Shared Service from 1 April 15 (LPF) and 1 August 18 (LB of Hounslow)	Collaborative working with other Pension Funds	• Will not be able to provide a pensions administration service to LPF or LB of Hounslow • Will not be able to pay pensions or process work • ICT systems not available • Damage to WYPF Reputation • Bad publicity • Loss of income
61	D3	Financial	Employers deficits	Managed through assumptions used at valuation. Employers monitored at regular intervals for membership changes.	Employer's deficits/ liabilities are large amounts and employers are not able to pay when exiting the Fund.	• The liabilities at exit which are not meet by the employer will be passed on to all the other employers in the fund through the next triennial valuation.
62	D2	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	• Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by tPR
63	D1	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	• Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts
64	C2	Legislative	LGPS regulation changes due to McCloud ruling	Benefits paid to member (or in respect of) are incorrect (underpaid)	Regulation changes	• Large volume of recalculations • Underpayment of pension benefits • Recalculations not done in a timely manner

Appendix K
WYPF Pension Board – Knowledge and Understanding Framework

1. Legislative requirements

1.1 In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:

1.1.1 the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and

1.1.2 any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund.

1.2 Board members should also have knowledge and understanding of:

1.2.1 the law relating to pensions, and

1.2.2 SUCH other matters as may be prescribed.

1.3 Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.

1.4 Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.

1.5 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.

1.6 The Scheme Manager is required to maintain and develop the framework.

2. Degree of knowledge and understanding

2.1 Being conversant with the rules of the LGPS and any documents recording policy about the administration of the fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.

2.2 Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.

2.3 The rules of the LPGS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.

2.4 To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis. Any member replaced before the expiry of their normal term will serve for the remainder of that term only, when they will be eligible to service for further full terms in accordance with the terms of reference.

3. Induction training

3.1 As part of the induction training, board members are required to undertake the Pensions Regulator's online toolkit training. This training will enable board members to learn about meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

3.2 The toolkit included nine Essential Learning for Trustee compulsory modules and seven Public Sector Toolkit compulsory learning modules.

3.3 The nine Essential Learning for Trustees compulsory modules test pension board members' knowledge in the following areas.

3.3.1 Introducing pension schemes

3.3.2 The trustee's role

3.3.3 Running a scheme

3.3.4 An introduction to investment

3.3.5 How a defined benefit scheme works

3.3.6 Funding your defined benefit scheme

3.3.7 Defined benefit recovery plans. Contributions and funding principles

3.3.8 Investment in a defined benefit scheme

3.4 The seven Public Sector Toolkit compulsory modules test pension board member knowledge in the following key areas.

3.4.1 Conflicts of Interest

3.4.2 Managing risk and internal controls

3.4.3 Maintaining accurate member data

3.4.4 Maintaining member contributions

3.4.5 Providing information to members and others

3.4.6 Resolving internal disputes

3.4.7 Reporting breaches of the law

3.5 The Pensions Regulator website is **www.thepensionsregulator.gov.uk/public-service-schemes.aspx**

3.6 A document which will help identify training needs and be used to record and reflect on the training once completed can be found at **www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning needs.doc**

4. Training

4.1 Board members are expected to attend regular training events.

4.2 In addition to the Pensions Regulator Toolkit, pension board members will be invited to undertake training and development as detailed in the CIPFA Knowledge and Skills framework.

4.3 Training will be delivered through a variety of methods including:

4.3.1 in-house training days provided by officers and/or external providers

4.3.2 training as part of meetings provided by officers and/or external advisers

4.3.3 external training events

4.3.4 circulation of reading material

4.3.5 attendance at seminars and conferences offered by industry-wide bodies, and

4.3.6 links to online training.

5. CIPFA Knowledge and Skills Framework

5.1 In an attempt to determine the right skill set involved in decision making CIPFA has developed a technical knowledge and skills framework

5.2 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions:

5.2.1 pensions legislative and governance context

5.2.2 pensions accounting and auditing standards

5.2.3 financial services procurement and relationship management

5.2.4 investment performance and risk management

5.2.5 financial markets and products knowledge, and

5.2.6 actuarial methods, standards and practices.

5.3 Training Needs Analysis can be used to help assist board members and scheme managers to identify areas of the CPIFA Knowledge and Understanding Framework where training is required.

Appendix A

Documented policies you must have a working knowledge of.

Member and employer information	Location
Member booklets, announcements and other key member and employer communications, which describe the fund's policies and procedures, including AVC guides).	www.wypf.org.uk
Relevant policies	
Conflicts of Interest Policy	www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx
Internal Dispute Resolution Procedure	www.wypf.org.uk/Member/Publications/Booklets
Reporting of Breaches Procedure	www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx
WYPF policy statements	www.wypf.org.uk/Member/Publications/policyStatements
Statement of Investment Principles	
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	Supplied on request
Others	
actuarial valuation Report and Rates and Adjustment Certificate	www.wypf.org.uk/Member/publications/Valuation
WYPF Risk Register	Supplied on request
Annual Report and Accounts	www.wypf.org.uk/Member/Publications/ReportAndAccounts
Investment management and activity	www.wypf.org.uk/Member/Investments

Appendix B

Pension Knowledge and Understanding training analysis

	Training required Yes/No	Date training received
Background and understanding of the legislative framework of the LGPS		
• Differences between public service pension schemes like the LGPS and private sector trust-based schemes • Role of the IPSPC and its recommendations • Key provisions of the 2013 Act • The structure of the LGPS and the main bodies involved including the responsible authority, the administering authority, the Scheme Advisory Board, the local pension board and the LGPS employers • An overview of local authority law and how administering authorities are constituted and operate • LGPS rules overview (including the regulations, the transitional regulations and the investment regulations)		
General pensions legislation applicable to the LGPS		
• Automatic enrolment (Pensions Act 2008) • Contracting out (Pension Schemes Act 1993) • Data protection (Data Protection Act 1998) • Employment legislation including anti-discrimination, equal treatment, family-related leave and redundancy rights • Freedom of information (Freedom of Information Act 2000) • Pensions sharing on divorce (Welfare Reform and Pensions Act 1999) • Tax (Finance Act 2004) • IORP Directive		
Role and responsibilities of the local pension board		
• Role of the local pension board • Conduct and conflicts • Reporting of breaches • Knowledge and understanding • Data protection		
Role and responsibilities of the administering authority		
• Membership and eligibility • Benefits and the payment of benefits • Decisions and discretions • Disclosure of information • Record keeping • Internal controls • Internal dispute resolution • Reporting of breaches • Statements, reports and accounts		

	Training required Yes/No	Date training received
Funding and Investment		
• Requirement for triennial and other valuations		
• Rates and adjustments certificate		
• Funding strategy statement		
• Bulk transfers		
• Permitted investments		
• Restrictions on investments		
• Statement of investment principles		
• CIPFA guidance		
• Appointment of investment managers		
• Role of the custodian		
Role and responsibilities of scheme employers		
• Explanation of different types of employers		
• Additional requirements for admission bodies		
• Automatic enrolment		
• Deduction and payment of contributions		
• Special contributions		
• Employer decisions and discretions		
• Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)		
• TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)		
Tax and contracting out		
• Finance Act 2004		
• Role of HMRC		
• Registration		
• Role of 'scheme administrator'		
• Tax relief on contributions		
• Taxation		
Role of advisers and key persons		
• Officers of the administering authority		
• Fund actuary		
• Auditor		
• Lawyers		
• Investment managers		
• Custodians		
• Administrators – in house versus third party		
• Procurement of services		
• Contracts with third parties		

	Training required Yes/No	Date training received
Key bodies connected to the LGPS		
An understanding of the roles and powers of: • Courts • Financial Services Authority • HMRC • Information Commissioner • Pensions Advisory Service • Pensions Ombudsman • The Pensions Regulator		

Appendix L
WYPF Pension Board – Terms of Reference

1. Introduction

1.1 City of Bradford Metropolitan District Council (referred to as 'the council'), as scheme manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The council has established two bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the council is required to establish a pension board. The WYPF Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.3 This document sets out the terms of reference for the WYPF Pension Board.

2. Objectives

2.1 The role of the pension board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including:

2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS

2.1.2 SECURing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and

2.1.3 any other such matters as the LGPS regulations may specify.

3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

4. Membership and appointment for pension board members

4.1 Membership of the pension board shall be eight in number. The pension board will consist of equal numbers of member and employer representatives.

4.2 Pension board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

5. Employer representatives

5.1 Employers who participate in the fund will nominate four representatives to sit on the pension board as employer representatives from the following sources.

5.1.1 Three representatives will be from West Yorkshire councils, one of these three will be appointed in accordance with 7.1 below.

5.1.2 One representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

6. Member representatives

6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

6.2 Relevant trade unions, who have agreed to represent all categories of the membership, will nominate four representatives to sit on the pension board as member representatives.

7. The chair

7.1 The Council as scheme manager will appoint one councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the chair on the pension board

7.2 The chair of the board shall:

7.2.1 ensure that the board delivers its purpose as set out in these terms of reference

7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and

7.2.3 SEEK to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

8. Attendance at meetings

8.1 Each pension board member should endeavour to attend all pension board meetings during the year. In the event of consistent non-attendance by any pension board member then the tenure of the membership should be reviewed at the next pension board meeting.

9. Term of office/appointment

9.1 Subject to paragraph 5.2, pension board representatives will normally serve for a period of four years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).

9.2 Upon initial establishment of the board in 2015 50% of members (comprising of two member representatives and two employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.

9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

9.4 Pension board members may be reappointed without limitation on terms subject to the pension board being satisfied as to the transparency and proper application of the appointment process in use.

10. Termination

10.1 Other than by ceasing to be eligible a pension board member may normally only be removed from office during a term of appointment by the agreement of the board.

10.2 Board membership may be terminated prior to the end of the term of office due to:

10.2.1 a member representative no longer being a representative of the body on which their appointment relied

10.2.2 an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

10.2.3 a board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.

10.2.4 the representative being withdrawn by the nominating body and a replacement identified.

10.2.5 a board member has a conflict of interest which cannot be managed in accordance with the board's conflict policy.

10.2.6 a board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.

10.2.7 a board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the administering authority under the LGPS regulations.

11. Number of meetings

11.1 The pension board will normally meet twice a year. The chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.

11.2 In exceptional circumstances, meetings can be conducted via communications between members of the board including telephone conferencing and emails.

12. Creation of working groups/sub boards

12.1 The pension board may establish sub-committees and working groups as and when required. The pension board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The pension board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

13. Code of conduct and conflicts of interest policy

13.1 The principles included in the council's code of conduct for members applies to all members of the pension board. The code of conduct is set out in part 4 of the council's constitution: **http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/about_bradford_council/council_constitution**

13.2 No person may be appointed to the pension board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.

13.3 All voting members of the pensions board must complete a declaration of acceptance of office form, and a disclosure of financial and other interest form.

13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

14. Voting rights

14.1 All representatives on the pension board have equal voting rights. Decisions made by the pensions board shall be on a majority basis. In the event of there not being a majority the chair shall have the casting vote.

15. Other attendees

15.1 The pensions board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

16. Secretariat services to the board

16.1 Pension board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC 'Constitution of the council and Executive Arrangements'. All reasonable costs will be met by the fund.

17. Agenda

17.1 Prior to each meeting the Director – West Yorkshire Pension Fund will arrange to supply all members of the board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the chair.

18. Quorum

18.1 The quorum of the pension board shall be three (chair plus one employer representative and one member representative).

19. Publication

19.1 In accordance with the act, the council shall publish information about the board to include:

19.1.1 the names of Board members and their contact details

19.1.2 the representation of employers and member on the board

19.1.3 the role of the board

19.1.4 these terms of reference

20. Allowances/expenses

20.1 No member or representative of the pension board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the board and attending training events, shall be reimbursed to all members and the cost will be met by the fund.

21. Knowledge and understanding and capacity of representative members

21.1 Every individual who is a member of the pension board must be conversant with:

21.1.1 the rules of the LGPS, in other words the regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations)

21.1.2 the requirements of The Pensions Regulator

21.1.3 any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund, and have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed.

21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.

21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

22. Accountability

22.1 The board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the board may attend a committee meeting as an observer.

22.2 The board should report any concerns over a decision made by the committee subject to the agreement of at least 50% of voting board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.

22.3 On receipt of a report the committee shall within a reasonable period, consider and respond to the board.

22.4 Where the board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the fund's annual report.

22.5 Where the board is satisfied that there has been a breach of regulation which has been reported to the committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

22.6 The appropriate internal route for escalation is to the administering authority monitoring officer.

23. Budget

23.1 The pension board is to be provided with adequate resources to fulfil its role. The council will allocate an annual budget to cover the expenses of the board.

24. Core functions

24.1 The first core function of the board is to assist the council in securing compliance with the regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by The Pensions Regulator in relation to the scheme.

24.2 The second core function of the board is to assist the council to ensure the effective and efficient governance and administration of the scheme.

24.3 In support of its core functions the board may make a request for information to the Committee with regard to any

aspect of the council's function. Any such request should be reasonably complied with in both scope and timing.

24.4 In support of its core functions the board may make recommendations to the Committee which should be considered and a response made to the board on the outcome within a reasonable period of time.

25. Data protection

25.1 The pension board is considered a committee of and part of the council's legal entity. The council is and remains the data controller responsible for DPA compliance, including for processing carried out by the pension board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.

25.2 The pension board will therefore adhere to the data protection policies of the council.

26. Review of terms of reference

26.1 These terms of reference shall be reviewed on each material change to those parts of the regulations covering local pension boards and at least every two years.

26.2 These terms of reference were adopted on 20 March 2015 on behalf of the council (Governance and Audit Committee).

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 23 September 2021

K

Subject:

Draft Audit Completion Report – West Yorkshire Pension Fund to year ending 31 March 2021.

Summary statement:

The Draft Audit Completion Report (ACR) summaries our audit conclusions. However, our work is ongoing and if there are any changes these will be be reported at the meeting.

Recommendation:

That Governance and Audit Committee note the report.

Abi Medic
Assistant Manager
Mazars LLP

Report Contact: Cameron Waddell
Phone: +44 (0)7813 752 053
E-mail: Cameron.waddell@mazars.co.uk

1. APPENDICES

Appendix 1 - West Yorkshire Pension Fund ACR for the year ended 31 March 2021.

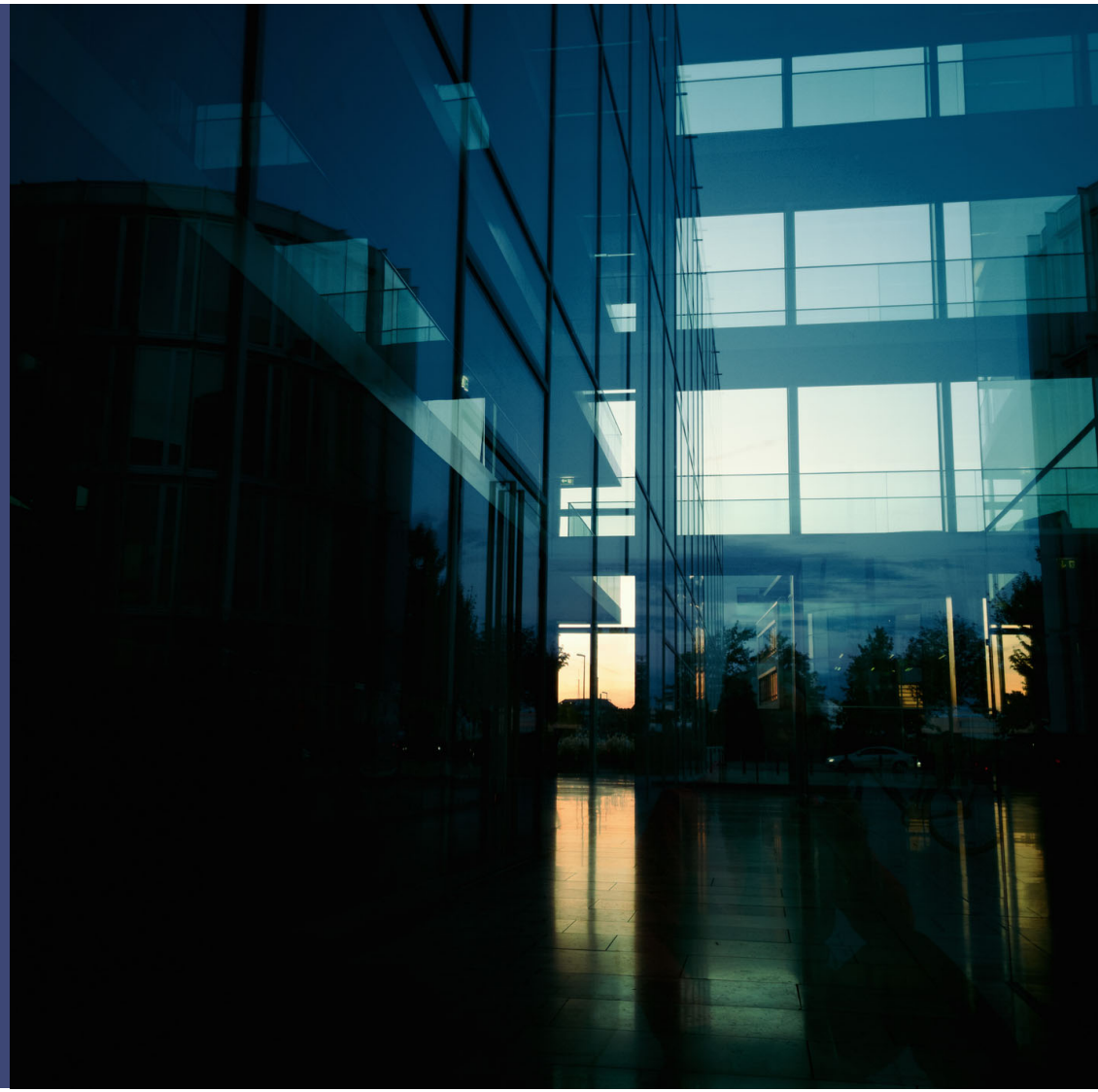
Appendix 2 - Opinion on the financial statements of West Yorkshire Pension Fund.

Audit Completion Report

West Yorkshire Pension Fund – year ended 31 March 2021

September 2021

Strictly private and confidential



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Members of the Governance and Audit Committee
City of Bradford Metropolitan District Council
City Hall
Centenary Square
Bradford
BD1 1HY

13 September 2021

Dear Sirs / Madams

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks, key audit matters and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in March 2021. We have reviewed our Audit Strategy memorandum and concluded that the original significant audit risks, key audit matters and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit. If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Cameron Waddell

Key Audit Partner
For and on behalf of Mazars LLP

Mazars LLP – 5ht Floor, 3 Wellington Place, Leeds, LS1 4AP
Tel: 0113 394 2000 – Fax: 0191 394 2001 – www.mazars.co.uk

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

As outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement. The key audit matters that were of most significance in our audit of the Financial Statements for disclosure in our auditor's report:

- Valuation of investments within level 3 of the fair value hierarchy;
- Valuation of investments within level 2 of the fair value hierarchy; and
- Management override of controls.

Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out the misstatements noted as part of our audit at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance and Audit Committee in a follow-up letter.

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report the significant audit matters that remain outstanding are included in section 2.

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

At the time of issuing this report and subject to the satisfactory conclusion of the remaining audit work, we anticipate issuing an unqualified opinion, without modification, as set out in Appendix B.

Status and audit opinion

02

Section 02:

Status of the audit

2. Status of the audit

Status

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

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

- Financial instruments – agreement of the classification of investments within the fair value hierarchy is ongoing.
- Journals testing – our testing and review of material journal entries is ongoing.
- IT General Controls – we are awaiting the finalisation of the work of our specialist auditor in respect of their ITGC testing. Our auditor is awaiting the delivery of evidence from CBMDC, who have stated they will pick up our requests on 23/09/21.
- Benefits payable – our review of the benefits payable to payroll reconciliation is ongoing.
- Consistency – we have not yet completed our comparison of the revised Pension Fund financial statements (within the Statement of Accounts of the Council) with the revised Pension Fund financial statements within the Pension Fund's Annual Report.
- Non-material notes – our review and agreement of some non-material notes within the financial statements is ongoing.
- Closure & review procedures – our standard audit closure and review procedures, including the review of final financial statements, consideration of post balance sheet events and

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

No significant changes to the audit approach noted from the Audit Strategy Memorandum issued at planning stage in March 2021.

Materiality

Our updated comments on materiality are set out below.

We set materiality at the planning stage of the audit at £157.2 million using a benchmark of 1% of net assets available to pay benefits. We set a specific materiality for the fund account of £45.9 million at the planning stage of the audit using a benchmark of 10% of benefits payable.

Our assessment of materiality, based on the 2020/21 financial statements and qualitative factors is £163.2 million, using the same benchmark as at planning. Our assessment of specific materiality for the fund account is £44.0 million, also based on the same benchmark as at planning. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee), at £4.9 million based on 3% of overall materiality.

04

Section 04:

Significant findings

4. Significant findings

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks, key audit matters and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

4. Significant findings

Management override of controls

Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our review and testing of material journal entries is ongoing. We will provide you with an update upon the completion of this work.

4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy

Description of the risk

As at 31 March 2020 the fair value of investments classified within level 3 of the fair value hierarchy was £2,101 million, which accounted for 15.9% of net investment assets. The values included in the accounts are those provided by investment managers updated by the Pension Fund for cash movements, where the most recently available information from fund managers is at a date prior to the year end. The fair values of level 3 investments are based on unobservable inputs. This results in an increased risk of material misstatement.

How we addressed this risk

In addition to our standard programme of work in this area we have:

- agreed the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- where audited financial statements were available, checked that they were supported by an unmodified opinion;
- where possible, compared the valuation to the audited financial statements;
- where available, reviewed independent control assurance reports to confirm they did not highlight any risks in relation to valuation; and
- reviewed the valuation methodology for reasonableness.

Audit conclusion

Our work has provided us with the assurance that we sought. However, our audit procedures identified an extrapolated overstatement in the valuation of L3 assets totalling £18.572 million. This value is immaterial to the financial statements and as such is shown as an unadjusted misstatement in section 6 of this report.

4. Significant findings

Valuation of investments within level 2 of the fair value hierarchy

Description of the risk

As at 31 March 2020 the fair value of investments classified within level 2 of the fair value hierarchy was £655 million, which accounted for 5.0% of net investment assets. The values included in the accounts are primarily based on recent trades of the investment, which are observable inputs other than quoted prices. The valuation risk is increased depending on the elapsed time of the most recent trade and the year end and, therefore, these have been assessed as enhanced risk.

How we addressed this risk

In addition to our standard programme of work in this area we have:

- agreed the valuation to supporting documentation including third party available pricing data;
- assessed the reasonableness of any adjustments made to pricing data;
- agreed the nominal holding per the Fund's records to third party investment manager statements;
- considered whether classification within L2 of the hierarchy is reasonable in the context of available pricing and trade data.

Audit conclusion

Our work has provided us with the assurance we sought and has not highlighted any material issues to bring to your attention.

4. Significant findings

Qualitative aspects of the entity's accounting practices

We have reviewed West Yorkshire Pension Fund's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Pension Fund's circumstances.

Significant matters discussed with management

In the draft version of the financial statements management included a material uncertainty paragraph relating to the valuation of level 3 property investments. We did not expect to see such a disclosure in the 2020/21 financial statements and discussed this matter with management. We also tested a sample of these investment assets and reviewed the financial statements of the underlying funds. We noted that these underlying statements did not contain material uncertainty disclosures. Management performed an equivalent review and reached the same conclusions. Management also reviewed the latest RICS guidance which states that such blanket material uncertainty disclosures are no longer required. It has been agreed with management that the material uncertainty disclosure is not required within the financial statements.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

Our work to date has not identified any internal control issues to bring to your attention, other than those brought forward from 2019/20. Should any issues arise during the completion of our audit, these will be reported to the Audit Committee in a follow-up letter.

5. Internal control recommendations

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

Information Technology (IT) policies do not adhere to best practice for example in relation to the creation of new user accounts, access rights, password parameters, segregation of duties between development and operations, backup procedures, the incident management process and levels of escalation.

Potential effects

Users are not aware of the process to follow and may make errors which reduce the security of the Council's systems.

Recommendation

The Council should review existing IT policies to ensure they are in line with best practice and address the deficiencies highlighted above

2020/21 Update

We are awaiting the final conclusions of our specialist IT auditor and will provide an update upon the completion of this work.

5. Internal control recommendations

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

IT user access testing found that:

- for a sample of 40 new starters, three new starter IT forms were missing; and
- for all leavers in the period, 72 accounts were found not to have been deactivated from business critical systems in a timely manner following their leaving date. Additional procedures were carried out to check the last log on date. All accounts had not been accessed since the employee had left.

Potential effects

Inappropriate access to business critical systems by an individual that has just joined the organisation or an individual that has left the organisation.

Recommendation

IT should perform and document scheduled periodic access reviews of business critical systems to ensure appropriate access / deactivation.

2020/21 Update

We are awaiting the final conclusions of our specialist IT auditor and will provide an update upon the completion of this work.

5. Internal control recommendations

Follow up on previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

Password parameters set within the Council's systems (AIM, Northgate, SAP, UPM) do not align with the Council's password policy.

Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

Recommendation

The Council should ensure that the password parameters for the critical business systems highlighted above reflect the Council'spassword policy.

2020/21 Update

We are awaiting the final conclusions of our specialist IT auditor and will provide an update upon the completion of this work.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

We set out below the misstatements identified during the course of the audit, above the level of trivial, for adjustment.

The table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The materiality levels applied in our testing are as follows;

- Overall Performance Materiality £130.6 million.
- Triviality £4.9 million.

There were no misstatements that have been adjusted by management during the course of the audit.

In addition to the above, we identified a number of minor presentational issues during our audit and where appropriate these have been amended by management.

Should any additional misstatements arise through the completion of the outstanding work outlined on page 7, we will provide an update to the Audit and Governance Committee in our follow up letter.

Unadjusted misstatements 2020/21

		Fund Account		Net Asset Statement	
		Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Change in Market Value	18.6			
	Cr: Equities				18.6
	Extrapolated difference between valuation per pension fund accounts and third party confirmations.				

A

Appendices

A: Draft management representation letter
B: Draft audit report
C: Independence
D: Other communications

Appendix A: Draft management representation letter

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

XXX 2020

Dear Cameron

West Yorkshire Pension Fund - audit for year ended 31 March 2021
This representation letter is provided in connection with your audit of the financial statements of the West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information
I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

My responsibility to provide and disclose relevant information
I have provided you with:
- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

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Appendix A: Draft management representation letter (continued)

Accounting records
I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

Accounting policies
I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value
I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

Contingencies
There are no material contingent losses including pending or potential litigation that should be accrued where:
- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

Laws and regulations
I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter (continued)

Fraud and error
I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:
- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

Assets
I confirm that all assets held are free from liens, charges or any other encumbrance.

Related party transactions
I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

Future commitments
I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Specific representation on unquoted investments
Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

Unadjusted misstatements
I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Subsequent events
I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Appendix A: Draft management representation letter (continued)

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Director of Finance

Date……

Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements of West Yorkshire Pension Fund

We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Conclusions relating to going concern

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

Appendix B: Draft audit report

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Appendix B: Draft audit report

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Appendix B: Draft audit report

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

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

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

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

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

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

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

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

Appendix B: Draft audit report

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

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

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

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

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

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

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

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

Appendix B: Draft audit report

Use of the audit report

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

[*Signature*]
Cameron Waddell
Key Audit Partner
for and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

[*Date*]

Appendix C: Draft consistency report

Independent auditor's statement to the members of City of Bradford Metropolitan District Council on the Pension Fund financial statements included within the West Yorkshire Pension Fund annual report

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2021 included within the West Yorkshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2021 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Respective responsibilities of the Director of Finance and the auditor

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

Our responsibility is to report to the Members of City of Bradford Metropolitan District Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of City of Bradford Metropolitan District Council.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of City of Bradford Metropolitan District Council describes the basis of our opinions on the financial statements.

Appendix C: Draft consistency report (continued)

Use of this auditor's statement

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body and as administering authority for the West Yorkshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of City of Bradford Metropolitan District Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than City of Bradford Metropolitan District Council City of Bradford Metropolitan District Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

[*Signature*]
Cameron Waddell
Key Audit Partner
for and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

[*Date*]

Appendix D: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix E: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	We did not identify any significant matters relating to the audit of related parties. We will obtain written representations from management confirming that: a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	We have not identified any evidence to cause us to disagree with the Members of the Governance and Audit Committee that West Yorkshire Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.

Appendix D: Other communications

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

Cameron Waddell

Mazars
5th Floor
3 Wellington Place
Leeds
LS1 4AP

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

*where permitted under applicable country laws.

mazars

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

Report on the audit of the financial statements

Opinion on the financial statements of West Yorkshire Pension Fund

We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2021, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2021; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we

identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements
As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

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

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

- discussing with management and the Governance and Audit Committee the policies and procedures regarding compliance with laws and regulations;

- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

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

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

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

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

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

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

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

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

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body and as administering authority for the West Yorkshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to

state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[*Signature*]

Cameron Waddell

Key Audit Partner
For and on behalf of Mazars LLP

5th Floor

3 Wellington Place

Leeds

LS1 4AP

[Insert date]

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance & IT to the meeting of Governance & Audit to be held on 23 September 2021

L

Subject: 2020-21 Draft Statement of Accounts

Summary statement:

This report presents the Council's 2020-21 draft statement of accounts. These accounts are subject to approval from external audit.

This report also briefly details the salient financial implications from the accounts. A further report on the accounts will be presented at the meeting of Governance & Audit on 21 October 2021. It is also anticipated that the final 2020-21 accounts will be presented on this date.

EQUALITY & DIVERSITY:
There are no direct implications for equality and diversity arising from this report. It concerns the process by which the Council complies with Statutory requirements in producing its Statement of Accounts.

Chris Chapman Director of Finance & IT

Report Contact: Chris Chapman,
Director of Finance &IT
Phone: (01274) 433656
E-mail: chris.chapman@bradford.gov.uk

Portfolio:

Corporate Services

Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

This report presents the 2020-21 draft Statement of Accounts and briefly details the key financial points arising.

The recommendation contained in this report is to note its contents. These contents are for the purpose of providing an update to the members of Governance and Audit Committee.

2. BACKGROUND

The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The regulations require that the unaudited statement of accounts is certified by the section 151 officer as providing a true and fair view of the financial position of the Council as at 31st March 2021 and its income and expenditure for the year end 31st March 2021.

The statement of accounts is prepared in accordance with proper practices as set out in the CIPFA /LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and is subject to scrutiny by the council's external auditor, which for the 2020-21 financial year is Mazars LLP

These draft accounts have been approved by the Chief Financial Officer and are now available for public scrutiny on the Council's website. They are in the process of being externally audited.

3. OTHER CONSIDERATIONS

Following public scrutiny and the external audit, it is anticipated that the audit statement of accounts will be presented to the Governance and Audit Committee on 21 October 2021 for approval.

4. FINANCIAL & RESOURCE APPRAISAL

The key financial implications as at 31 March 2021 from the draft 2020-21 statement of accounts are summarised below:

- Covid – The accounts for the financial year 2020-21 reflect the nature of the activity that has been undertaken to respond to the pandemic but also to continue to provide essential services. The financial pressures of the increased and new activity were supported by substantial additional Government grant and other funding, meaning that the additional Covid related costs and losses were mitigated in the financial year 2020-21.

- Useable reserves (excluding Capital Grants Unapplied) stood at £299.4m (Council £256.5m, and Schools £42.9m) (Page 14, & Note 5 page 40), compared to £238.9m at the end of 2019-20, representing a £60.5m increase in total useable reserves. The main reason for the increase was Covid related with the Council holding Covid grants received but not yet spent (including Collection fund related funding) at 2020-21-year end, with the expectation that these will be fully used in 2021-22. Unallocated reserves

were £10.7m, and General Fund reserves stood at £15m. The General Fund Balance is held in accordance with statute; the purpose is as a safety net against unexpected variations in the Council's annual expenditure – this was £1.2 billion (page 21) as shown in the cost of services in the Comprehensive Income and Expenditure Statement. Earmarked reserves are held to protect against specific risks and commitments.

- The Council spent £63.9m on long term assets, as part of its Capital Programme.

- The Council held £38.3m of grants provided by external public sector bodies, which will be used in the future to finance the Capital Programme. £4.8m from the sale of property was both received and used to fund capital spend during the 2020-21 year.

- The Council has £698.8m remaining of borrowing for past spend on capital investment. £154m of this borrowing is in the form of contractual Private Finance Initiative liabilities. £3.5m mainly relates to miscellaneous historical debt. £205.3m is temporarily borrowed from the Council's own cash held in earmarked reserves, reducing interest payments. The remaining £336m is actual borrowing from the Public Works Loan Board and LOBO'S.

- Against the £698.8m of borrowing, the Council has £1,022m of land, buildings, equipment and other infrastructure. The value of the Council's long-term property is therefore significantly higher than the outstanding debt relating to it.

- The 2020-21 balance sheet value of the Council's non-current assets (including current assets held for sale) is £1,022m. This has decreased by £8.7m from the 2019-20 value of £1,030.7m. Capital enhancements to the value of £49.3m were made to these assets during 2020-21 and Assets to the value of £16.5m were disposed of during the year. Also Non-current assets were depreciated by £33.824m during 2020-21

- The Council's estimated pension fund deficit has increased to £1,254.6m, based on an estimate made in accordance with accounting rules. The overall defined benefit obligation has increased and this has been primarily due to a re-measurement of the fair value of assets following actuarial losses caused by changes in financial assumptions.

- The Council maintains a separate fund for Business Rates and Council Tax, from which it distributes pre-agreed shares to itself, the Government, West Yorkshire Fire and Rescue Authority and the Police and Crime Commissioner. Overall the fund ended 2020-21 with a deficit position for both Business Rates and Council Tax. The Council's own share was a £29m deficit on Business Rates, with the Government holding a £30m deficit (page 87). The significant Collection Fund deficit for 2020-21 has arisen largely in relation to reductions being applied to business rates. These reductions reflected central government's support for businesses, in response to the COVID-19 pandemic, by awarding expanded retail discounts and nursery reliefs, meaning that less rates were billed and therefore collectable in 2020-

21. The business rates reductions are funded by central government through Section 31 Grants. The compensation is not included in the Collection Fund but is reimbursed to the Council through the General Fund account. Further relief is provided by central government through the '75% Tax Income Guarantee compensation scheme' which compensates councils for 75% of council tax and business rates irrecoverable losses. The compensation funded by S31 grants, is not included in the Collection Fund, but is reimbursed to the council's general fund which includes £2.546m towards Council Tax losses and £4.582m for Business Rates losses.

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

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no specific risk management issue.

6. LEGAL APPRAISAL

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

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

There are no specific equality and diversity issues arising from this report.

7.2 SUSTAINABILITY IMPLICATIONS

There are no specific sustainability implications arising from this report.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

There are no specific greenhouse gas emissions impacts arising from this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

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

7.5 HUMAN RIGHTS ACT

There are no specific issues arising from this report.

7.6 TRADE UNION

- The Director of Human Resources may advise on this aspect.

7.7 WARD IMPLICATIONS

There are no specific issues arising from this report.

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

Nil

7.9 IMPLICATIONS FOR CORPORATE PARENTING

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

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no specific issues arising from this report.

8. NOT FOR PUBLICATION DOCUMENTS

Nil

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

The Governance and Audit Committee is recommended to:

- Note the financial results from the 2020-21 statement of accounts.

11. APPENDICES

Appendix A: Draft (Unaudited) Statement of Accounts

12. BACKGROUND DOCUMENTS

None

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Unaudited Draft Statement of Accounts 2020-21

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

DRAFT UNAUDITED STATEMENT OF ACCOUNTS 2020-21

CONTENTS Page

Introduction to the Council's Statement of Accounts

The Council's financial statements are set out in the pages following this foreword. They consist of the following:

1. The Narrative Report

The Report by the Director of Finance & IT summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2020-21. There is a distinction between revenue spending (the annual cost of providing services) and capital expenditure, which has a long-term benefit for the citizens of the Bradford district.

2. Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure) and other reserves.

3. Comprehensive Income and Expenditure Statement

The cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in accordance with statute. The Council raises tax, and uses grants and other flows of income to cover the cost of services. The statutory financial result is shown in the Movement in Reserves Statement. This is different to the cost of services stated in accordance with generally accepted accounting practice, as shown in the Comprehensive Income and expenditure account.

4. Balance Sheet

The Balance Sheet shows the value at the Balance Sheet date of the assets and liabilities recognised by the Council.

5. Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents (short term investments of three months or less) of the Council during the reporting period.

6. Statement of Significant Accounting Policies

The Council's accounts follow International Financial Reporting Standards (IFRS) since the 2010-11 financial year.

The accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the fi89nancial statements. The accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

7. Notes to the Main Financial Statements

The notes disclose information required by the Code and information that makes the accounts easier to understand. They show the specific accounting policies and estimates used and breakdowns of figures shown in the main Financial Statements.

8. Collection Fund Statement

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority (Bradford Council) in collecting Council Tax and non-domestic business rates and distributing it to major preceptors and the Government.

9. The Group Accounts

As the Council does not have any material interests in subsidiaries, associates and jointly controlled entities it is not required to produce a set of Group Accounts.

10. The Pension Fund Account

As the Council is the administering authority for the West Yorkshire Pension Fund, the activities of the fund are required to be reported alongside the Council's main Financial Statements.

11. Glossary of Terms

In order to help readers, a Glossary of Terms widely used in relation to local authority finance and referred to within these accounts is included at the back of the document.

12. Annual Governance Statement

The Council is required to undertake an annual review of the effectiveness of its governance framework and system of internal control. The conclusions of this review are reported alongside the accounting statements.

Notes to the Main Financial Statements

City of Bradford Metropolitan District Council's Statement of Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance & IT.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

Director of Finance & IT Responsibilities

The Director of Finance & IT is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance & IT has:

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

In addition, he has issued:

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

The financial statements are subject to audit by the Council's external auditors.

Certification of the Statement of Accounts

I certify that this statement of accounts presents a true and fair view of the financial position of Bradford Council at 31 March 2021 and its income and expenditure for the year then ended; and of the West Yorkshire Pension Fund.

Signed:

Chris Chapman
Director of Finance & IT (S151 officer)
Date: 19-08-2021

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on xxxxxx 2021.

Signed

Cllr Angela Tait
Chair Governance and Audit Committee
Date:

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

Report to be inserted following the audit.

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

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Report to be inserted following the audit.

The Narrative Report

Introduction

The Financial Statements of the City of Bradford Metropolitan District Council for the year ending 31st March 2021 are set out in this document. They are prepared in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code) which requires that the accounts show a true and fair view of the financial position of the Council. Suitable accounting policies have been adopted and applied consistently. Where necessary judgements and estimates have been made which comply with the Code.

This narrative report explains the main information included in the accounts, gives an overview of the Council as at 31st March 2021 and provides further information about the most significant matters reported in the accounts, along with an analysis of the pressures and risks that may impact on future financial performance.

Narrative report Introduction

The financial year 2020-21 has been like no other. Along with the rest of the country, the Council has had to manage the unprecedented challenges posed by the COVID-19 pandemic.

Since the start of the first national lockdown on 24 March 2020, and indeed in the weeks immediately leading up to the lockdown, COVID-19 has influenced every aspect of the Council's work. Challenging though it has been, the Council has responded well, delivering a wider range of new initiatives as well as continuing to deliver business as usual services, adapting provision to align to the circumstances.

The accounts for the financial year 2020-21 reflect the nature of the activity that has been undertaken to respond to the pandemic but also to continue to provide essential services. The financial pressures of the increased and new activity were supported by substantial additional Government grant and other funding, meaning that the additional Covid related costs and losses were mitigated in the financial year 2020-21.

The administration of the new COVID-19 related expenditure and income losses associated with the Council's service provision, as well as the multitude of different COVID emergency grants received by the Council, supported the Council's services and local businesses and presented new challenges for the Council's Financial Services team. The extent of the resources received is highlighted later in this document.

This Narrative Statement will cover the impact of COVID in more detail but will firstly outline key information about the District and the Council to provide background context.

Organisational Overview & External Environment

Our district

The City of Bradford Metropolitan District Council, working alongside public and private sector partners and communities, seeks to deliver services and democratically accountable leadership to a diverse population in excess of 530,000 people and approximately 16,000 businesses.

The Council strives to secure better outcomes and equality of opportunity for everyone in the district. It employs more than 8,000 staff. The Bradford District is the fifth largest Metropolitan Local Authority District in England. It is the youngest district in the UK, with nearly a third of the population aged under 20. Ethnic minorities form a third of the total population of the district with over 150 languages spoken within the district.

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

The scale, diversity and productive potential of the district is reflected in its strong, broad-based, innovative and entrepreneurial business community, which is part of an overall local economy worth £9.5 billion, the 11th largest in England.

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

We are proud to be identified by Barclays Bank as the best place in Britain to start a business, named as one of the Sunday Times' top 20 places to do business, and identified as the most improved city in the Price Waterhouse Cooper's Good Growth

2019 Index. The district has a strong and committed network of voluntary and community organisations with an estimated 30,000 regular volunteers and 100,000 occasional volunteers. The spirit of our communities is a tangible asset that we want to work on more with people in the future to develop and deliver our shared objectives.

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

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

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

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

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

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

About the Council

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

The make-up of the Council is:

- 51 Labour Councillors
- 25 Conservative
- 7 Liberal Democrat
- 3 Green
- 1 Bradford Independent
- 1 Ilkley Independent
- 1 Independent
- 1 Independent Socialist

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

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

The Council Plan 2021-2025

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

The Council Plan 2021-2025 builds on some of the same priorities as the 2016–2020 plan but also looks to address some new major challenges that our district will face in the coming years. These include responding to and recovering from the COVID-19 pandemic; and following the Council's declaration of a climate emergency, taking the steps we need to take to deal with that emergency and to continue to build on sustainable delivery.

Further detail about the Council Plan can be found via this link councilplan2021-25.pdf (bradford.gov.uk)

Our Priority Outcome Areas

The Council Plan helps to set our priorities and inform our future budget and medium-term financial strategies. We have placed a fair, inclusive and sustainable recovery at the heart of this.

In terms of future activity each of our priority areas are divided into two sections:

a) Living with COVID-19 – how we help our residents, businesses and places overcome the ongoing challenges presented by the coronavirus pandemic.

b) Building a Better Future – how we work to secure a better long-term future for the district, its people, its communities and its businesses.

Our main priority outcomes are as follows:

- **Better Skills, More Good Jobs and a Growing Economy** - We will grow our local economy in an inclusive and sustainable way by increasing productivity and supporting businesses to innovate, invest and create great jobs.
- **Decent Homes** - We want everyone to have a comfortable home which meets their needs and helps them lead fulfilling lives.
- **Good Start, Great Schools** - We will help our children to have the best start in life by improving life chances, educational attainment and overall quality of life for all young people regardless of their background.
- **Better Health, Better Lives** – We will help people from all backgrounds to lead long, happy and productive lives by improving their health and socio-economic wellbeing.
- **Safe, Strong and Active Communities** – We want the Bradford District to be a place where everyone can play a positive role in their community and be proud to call the district their home.
- **A Sustainable District** – We will make it easier for individuals, households and businesses to adapt, change and innovate to help to address the climate emergency, reduce carbon and use resources sustainably.
- **An Enabling Council** – We will be a council that is a great place to work and reflects the communities we serve. Our people will have the tools to do their jobs effectively. We will manage our resources well and seize all opportunities to bring funding into the district. We will provide good, accessible services.

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

Equalities must be at the heart of all that we do: This means that everyone can access services regardless of their background, that we embrace our different communities across the whole district and that we build an inclusive organisation. We want to be an organisation which actively recognises the contribution that people from different backgrounds make to all aspects of the Council's work and the district's communities. Our Equality Objectives are published alongside the Council Plan and feature across our outcome areas. Our Equality Objectives and accompanying Equality Plan for the period 2020-2024 will outline how we intend to keep equalities at the heart of all we do.

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

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

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

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

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

Further detail about the Council Plan can be found via this link councilplan2021-25.pdf (bradford.gov.uk)

2020-2021 and beyond

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

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

Inflation, demographic growth, and the additional pressures in Adults and Children's' Social Care, coupled with the significant uncertainty surrounding the ongoing impact of COVID19; delays to the Government's Fair Funding review, and Social Care funding review, mean that financial planning is currently very challenging.

Many councils across the country are now experiencing very severe financial challenges. Whilst the challenges for the Council are significant, through sound financial planning, maintaining relatively robust levels of reserves, and in year management, the Council remains in relatively strong financial health.

Financial Performance

Revenue Outturn 2020-21

The Council's General Fund budget for its own net expenditure was set at £378m in 2020-21.

Band D Council Tax (excluding both Police and Fire Authority precepts), was set at £1,427, a 1.99% increase on the previous year. Comprehensive revenue and capital budget monitoring is carried out during the year and is supplemented by quarterly finance position statements presented to the Executive. This robust financial management has helped the Council to maintain good financial health, despite continuing pressures on the public sector generally.

As outlined in reports to Executive throughout the year, the COVID-19 pandemic has had a significant impact on the Council's financial position. The overall financial effect on the Council is complex, with various grant funds being received from numerous Government departments. Overall, it is estimated that the total impact on Council services in 2020-21 was £92m, of which gross additional costs totalled £67m, and loss of income from fees and charges totalled £25m (excluding Collection Fund losses).

Most of the financial impact on the Council was mitigated by Government grants and other income in 2020-21, including Emergency Grants, the Contain Outbreak Management Fund, Winter Pressures, the Sales Fees and Charges compensation scheme, and additional funding for business grants, along with funding from the CCG for hospital discharge amongst others.

Despite these additional funding streams, the ongoing impact in future years is still expected due to a range of issues, including the longer term impacts on individual residents leading to an increase in the cost of care.

In addition, a potential loss of both Council Tax and Business Rates income is to be expected as some residents and businesses struggle to recover from the pandemic.

In addition to the direct financial consequences of the pandemic, in terms of additional expenditure and lost income, staff time and effort throughout the year has been dedicated to supporting residents and communities. This has resulted in attention being diverted away from more business as usual activity, including the actions needed to deliver savings and manage some of the underlying budget pressures being experienced in Adults & Children's Social Care.

We are also seeing a rise in both Adult and Children's Social Care costs as a direct result of the pandemic. These are national issues that are not unique to the Bradford District, and the combination of increased costs and delays in achieving savings is having a detrimental impact which threatens to adversely impact the Council in future years.

Despite the challenges, the Council underspent the £378m net expenditure budget by £0.4m in 2020-21. Although this was a good result overall, the underspend did include some significant overspends, most notably in Children's Social Care and Waste Services, and there remains considerable financial challenges looking ahead into 2021-22 and beyond.

Net Revenue Budget

	Gross Budget £m	Net Budget £m	Variance £m
Health and Wellbeing	246.0	117.3	-2.2
Children's Services	480.0	90.3	5.4
Department of Place	176.4	107.8	-1.2
Corporate Resources	212.8	55.9	-1.9
Chief Executive	5.3	4.9	-0.3
Non Service Budgets	26.0	-18.8	-0.2
General Fund	56.9	20.6	0.0
Total Council	**1,203.4**	**378.0**	**-0.4**

Reserves

At 31st March 2021 useable reserves (excluding Capital Grants Unapplied) stood at £299.4m (Council £256.5m, and Schools £42.9m), compared to £238.9m at the end of 2019-20, representing a £60.5m increase in total useable reserves. Unallocated reserves were £10.7m, and General Fund reserves stood at £15m.

	Closing Balance 2018-19 £m	Closing Balance 2019-20 £m	Net Movement	Closing Balance 2020-21 £m
Council reserves	181.6	207.0	49.5	256.5
Schools balances	27.2	31.9	11.0	42.9
Total	208.8	238.9	60.5	299.4

The main reason for the £60.5m increase in useable reserves is COVID-19 related, with the Council carrying forward £27m of Covid related grants received in 2020-21 to support Council Services in 2021-22, and an £18m increase in the reserve holding Section 31 grants and Tax Income Guarantee compensation from the Government which related to 2020-21, but which will be needed to repay the Council's £34.8m share of 2020-21 Collection Fund deficits in 2021-22.

The total value of revenue balances held by maintained schools at the end of 2020-21 also increased by c£10.9m to £42.9m. There are a number of factors that contributed to this increase, including the impact of COVID-19 where planned activity (and planned spending) has been delayed into 2021-22.

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

The Council takes a risk based approach to the management of useable reserves. As part of setting the annual budget the s151 Officer undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve and this was incorporated into the Council budget reports. For 2020-21, it was determined that a level of £15m remained an appropriate figure.

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

Non Current Assets

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

- Property, plant and equipment (PPE) – this includes council dwellings, land & buildings, infrastructure assets, community assets, surplus assets, assets under construction and tangible plant, vehicle and equipment assets
- Intangible assets
- Heritage assets
- Investment property
- Assets held for sale

The accounting standard IFRS 13 Fair Value Measurement was adopted by the Council in 2015-16. In accordance with this accounting standard, the council's Investment Properties and Surplus Assets are valued at fair value and measured at their

highest and best use. Assets Held for Sale are measured at the lower of the carrying value on reclassification to this category, or the fair value less costs to sell.

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

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

The 2020-21 balance sheet value of the Council's non-current assets (including current assets held for sale) is £1,021.9m. This has decreased by £8.8m from the 2019-20 value of £1,030.7m. Capital enhancements to the value of £49.3m were made to these assets during 2020-21 and Assets to the value of £16.5m were disposed of during the year.

Non-current assets were depreciated by £33.824m during 2020-21. This figure includes amortisation of intangible assets. Valuations on the Council's properties are carried out by qualified valuers within the council's Asset and Property Management Team. A revaluation programme exists which set out when each category of Asset will be valued and during 2020-21 this programme included car parks, sports pavilions, and Children's Centres.

Risks and opportunities

The COVID-19 pandemic has been a nationwide issue and the district has been significantly impacted.

A key issue for the Council is Children's Social Care which is on an improvement journey, and has seen significant growth in budget in recent years. However, the budget overspent significantly in 2020-21 due to high levels of Agency Social Workers and increased Child Looked After placements, and this pressure is likely to persist in future years.

There remains a wide range of uncertainties, not least the continued recovery of the economy and the impact on the district of the changing way residents choose to live their lives. At this stage we do not know whether previously seen levels of car parking, sports and culture income, and other sales, fees and charges will return to pre-pandemic levels, or what the impact of COVID will be on the cost of Adults and Children's social care, mental health services and waste services in particular for the district.

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

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

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

Many councils across the country are now experiencing very severe financial challenges. Whilst the challenges for this council are significant, through sound financial planning, and in year management, the Council remains in robust financial health.

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

In 2020-21 the net cost of Adult & Children's Social Care was £207m, 55% of the Council's net budget. The scale of future challenges will inevitably impact on services and residents to some extent. In considering what savings can be made we have taken long term approaches to the development of future services and this approach will help to protect the needs of the most vulnerable people in the district.

The budget process for 2021-22 adopted a risk-based approach, and in particular prioritised statutory services to vulnerable children, and key frontline services.

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

Key performance indicators

The Executive for the Council Plan (2021-25) agreed a core set of indicators to help monitor the council priorities and these provide the structure for performance updates in this report. The indicators have been grouped around the outcome areas included in the Council Plan Further detailed performance information is provided to the Executive at:

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

Business Rates and Council Tax

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

The Council was a member of the North and West Yorkshire Business Rates Pool in 2020-21. The pool is a voluntary arrangement which allows local authorities to retain locally a proportion of any growth in business rates income. The pool was established on 1st April 2020 with the aim of furthering economic development activities across the region. It is funded from "levies" on business rates growth which would otherwise be paid over to central government.

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

The Joint Committee is responsible for making decisions about the use of pool receipts. At the end of 2020/21 the pool was revoked and a new pool of the Leeds City Region was established in 2021/22, retaining 50% of business rates.

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

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

On Council Tax, there were a number of different pressures. Rising unemployment has increased the cost of the Council Tax Reduction scheme (previously called Council Tax benefit) from around 27,000 to around 32,300 recipients at 31st March 2021. Reduced housebuilding and some demolitions has meant that anticipated growth in properties did not occur. Additional losses are expected for uncollected debt. Furthermore, the expected surplus from the 2019-20 Council Tax collection was at outturn, a very small deficit.

Overall, there was a Council Tax collection fund deficit of £7.3m in 2020-21, of which the Council's share was £6.1m. £3.3m of this has to be repaid in 2021-22, but the Council will also receive c£2.5m in compensation from Government via the Tax Income Guarantee scheme.

Business Rates collection has also been significantly impacted by the pandemic. However, the Council has a relatively high needs assessment compared to its collection; and since the difference is funded by a Government Top Up grant, this reduces the collection risk compared to other Councils. Further, as a result of the pandemic, 100% relief was provided to retail businesses; therefore, this aspect of the collection is de-risked, because it was also funded by the Government as a grant.

Another aspect of the Business Rates collection to consider is that an expected prior year deficit, outturned at a higher surplus than budgeted which will help mitigate pressures in the 2021-22 financial year.

Overall, there was a Business Rates collection fund deficit of £59m at 31st March 2021 of which the Council's share was £28.7m. The Council has received Section 31 grants from the Government in 2020-21 to compensate for the additional reliefs provided to businesses, and will also receive Tax Income Guarantee scheme income of around £4.5m. Overall, the Council's share of the Collection Fund deficit from 2020-21 will be materially covered by grants.

Looking ahead, although we have factored in some level of increased unemployment/ higher levels of Council Tax Reduction Scheme recipients into the Council Tax calculations for 2021-22, the end of furlough, and any long term economic impacts of COVID-19 could result in further Collection Fund issues in 2021-22 and beyond.

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

Capital Expenditure

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

The Capital Investment Plan originally budgeted 2020-21 spend at £209.1m (Full Council, 20 February 2020). This budget was

re-profiled to £120.5m in the 1st quarter monitoring report (Executive, 7th July 2020). Since the agreement of the 2020-21 budget, in the first monitoring report the only changes to budgets have been for new approved schemes and the budget in the 4th quarter monitoring report was £137.2m with the spend forecast being £79.3m (Executive, 6 April 2021).

Against the latest re-profiled budget of £137.2m, the Outturn was £63.9m. This is summarised by Department, including some of the major schemes, in the Table below.

Capital Expenditure 2020-21		
Department and Schemes	**Major Schemes**	**Total Spend**
	£000	**£000**
Health and Wellbeing		**586**
BACES Disabled Facilities Grant	465	
Children' s Services		**16,987**
Primary Schools Expansion Programme	1,202	
Devolved Formula Capital	421	
Capital Maintenance Grant	2,893	
Secondary School Expansion	1,890	
Silsden School	5,052	
SEN School Expansion	2,727	
Place – Economy and Development Services		**9,741**
New Affordable Housing	772	
Disabled Housing Facilities Grant	3,038	
Empty Private Sector Homes Strategy	1,126	
Conditioning House & High Point Grant	2,961	
City Centre Market	522	
Place – Planning, Transport and Highways		**18,929**
Capital Highways Maintenance	4,676	
Challenge Fund	805	
West Yorkshire Transport Fund	5,436	
Smart Street Lighting	1,336	
Potholes	1,199	
Place – Other		**12,028**
Replacement of Vehicles	4,508	
Bereavement Strategy	2,734	
Parks & Play Spaces	987	
Corporate Resources		**5,635**
Property Programme	1,185	
Godwin Street	989	
IT Infrastructure	2,443	
Total		**63,906**

Where the money came from to pay for the spending on capital schemes in 2020-21:

The Council can borrow to fund capital investment. It sets and observes a range of indicators covering the level of capital expenditure and the cost of financing it, to ensure borrowing is responsible and affordable. One such measure is the Council's Capital Financing Requirement, which represents the amount of Council's capital expenditure funded by internal or external borrowing. In 2020-21 it decreased from the level in 2019-20 of £710.701m to £698.763m.

The main reason for the decrease in the Capital Financing Requirement was the lower capital spend reducing the amount of spend funded by borrowing.

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

In 2020-21 the capital spending of £63.9m was funded as follows:

- £14.6m (36%) by borrowing generating capital financing charges which will form part of future revenue spending.
- £41.4m (56%) from government and other grants.
- £3.7m (5%) from revenue contributions and other revenue reserves.
- £2.9m (2%) from capital receipts from the sale of land and buildings.
- £1.3m (1%) from other Finance Leases.

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

Schools

In recent years, the value of Property, Plant and Equipment shown on the Balance Sheet has been volatile due to changes in convention about how to account for education assets and the ability of the Council to control the assets and influence future service potential.

Where the Council directly owns a school or where the School Governing body own the assets or have had rights to use the assets transferred to them, the school is recognised on the Balance Sheet. Community Schools are owned by the Council and are therefore recognised on the Balance Sheet.

Of the Council's Voluntary Aided and Controlled schools, the majority are owned by the respective Diocese with no formal rights to use the assets passed to the School or Governing Bodies. The schools are owned by trusts run by religious organisations and provision is available by the extended goodwill of the trust. As a result, these schools are not recognised on the Balance Sheet.

Where the ownership of a Trust/Foundation School lies with a charitable Trust, including Academies, the school is not recognised on the Council's Balance Sheet.

There are seven Foundation schools where as the ownership lies with the School/Governing Body the school is recognised on the Council's Balance sheet. The Council considers it exercises sufficient control over the school governing bodies to warrant recognition of any school where ownership is invested in the governing body.

In 2020-21 14 schools converted to Academies, five of which were Community Schools and as at 1 April 2020, on the Council's Balance Sheet and nine were Voluntary Aided. The Council is not recompensed for any of these disposals. The table below categorises all Bradford schools and sets out the current accounting treatment.

Type of school	2019-20	2020-21	Accounting Treatment
Community	49	44	On Balance Sheet
Special Schools	3	3	On Balance Sheet
Foundation	7	7	One Church of England School Off Balance Sheet, six owned by Governing Bodies are On Balance Sheet
Voluntary Aided	23	14	Off Balance Sheet
Voluntary Controlled	6	6	Off Balance Sheet (with the exception of two)
Academies	100	114	Off Balance Sheet (with the exception of one still on a short term lease)
Trust	2	2	Off Balance Sheet
TOTAL SCHOOLS	**190**	**190**	
Nurseries	7	7	On Balance Sheet

For further information on how the Council decides which schools should be included on its Balance Sheet see the Critical Judgements in Applying Accounting Policies on page 366.

Treasury Management

The Council's year-end treasury debt position for 2020-21 compared to 2019-20 is summarised in the table below:

	31 March 2020 Principal £'m	31 March 2021 Principal £'m
Fixed rate funding:		
-PWLB	299.7	297.8
-Market	36.2	36.2
-Other	0.4	0.4
PFI and other finance leases	163.0	154.9
Short term borrowing	10.0	0.0
Total debt as per Treasury Management Outturn Report	509.3	489.3
In year carrying value adjustment	1.6	1.6
Total Debt as at 31 March	**510.9**	**490.9**

£1.815m of loans matured in July 2020 with an average rate of interest of 9.8%. Due to the high cash balances no new loans were undertaken this year. The Council maintained an average balance of £119m of internally managed funds. The internally managed funds earned an average rate of return of 0.13%.

Pensions

The Council is a member of, and lead authority of, the West Yorkshire Pension Fund (WYPF). The Council's overall pension liability is £1,254.620m (an increase from £1,046.170m in 2019-20). The overall defined benefit obligation has increased and this has been primarily due to a remeasurement of the fair value of assets following actuarial losses caused by changes in financial assumptions. Further details can be found in Note 31, Defined Benefit Pension Schemes. Whilst the pensions liability figure is substantial it should be remembered that:

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not a situation unique to Bradford or Local Authorities generally. Pension funds in both public and private sectors are similarly in a net liability situation.
- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contribution to address the deficit over a period of years.
- Employee contribution rates may change as may the method of calculating accrued benefits and therefore, liabilities.

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

Living with COVID-19

The coronavirus pandemic has presented additional challenges and tests to our organisation, our communities, our public sector partners and our businesses.

COVID-19 has had a disproportionate impact on our most disadvantaged people, including young people, persistently deprived communities, Black, Asian and minority ethnic (BAME), women, migrants, people in poverty and on low incomes, and the elderly. As we are the UK's youngest city and we are concerned about the impact on our children's health and future prospects, addressing these areas is a key priority for the next four years.

The full implications of COVID-19 on the district and its economy are still to be fully understood. Modelling commissioned by the West Yorkshire Economic Recovery Board demonstrates the significant impact the pandemic could have on businesses and communities.

Even in the event of a relatively strong recovery, the district's economy is still set to shrink, in line with national trends. If we see a slower, uneven recovery, modelling suggests our economy could shrink by the end of 2021. This will have an impact not only on businesses, but also on people's jobs and livelihoods.

Tackling COVID-19 has affected our financial position significantly. It has brought many new costs and has increased demand in many services. At the same time, it has reduced our ability to raise funds and collect expected income from fees and charges.

The financial impact of COVID-19 has been vast. Our best estimates are that the additional impact on Council service provision was approximately £92m in 2020-21. This consisted of approximately £67m of additional expenditure to support the Care sector; provide PPE, fund additional Waste disposal, organise outbreak containment, provide food & other support to the vulnerable, and provide a multitude of other support. Additionally, Council services incurred approximately £25m of income losses from reduced sports facility income, theatre ticket sales, reduced car parking income amongst others.

The Council also incurred losses on the Council Tax and Business Rates collection funds of £34.8m as detailed in the Collection Fund, and the Council administered £173.9m of support to Businesses through grants, as detailed in Note 45 and business rates relief as detailed in the Collection Fund.

Although very welcome additional Government monies covered additional costs and income losses in 2020-21, and approximately £27m of COVID-19 related funding has been moved into reserves to provide continued support in 2021-22, the ongoing impact is likely to be far reaching and long lasting, and there remains significant uncertainty about the financial impact moving into future years.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (i.e. those that are real cash) and other non-cash reserves. The closing 31 March 2021 General Fund Balance of £57.863m comprises £15m (£15m in 2019-20) balances generally available to the Council and £42.863m (£31.922m in 2019-20) cash balances held on behalf of schools under the Local Management Scheme.

The deficit on the Provision of Services line of £39.294m (deficit of £75.455m in 2019-20) within the Income and Expenditure account is reversed out of usable reserves into unusable reserves. This is because by statute many of the accounting transactions making up the deficit cannot be charged against the General Fund Account. Unusable reserves have reduced by £244.448m (decrease of £67.607m in 2019-20).

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Un-usable Reserves	Total Council Reserves
					Note 5 & Balance Sheet	Note 21 & Balance Sheet	Balance Sheet
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2019	**42,276**	**166,546**	**-**	**47,345**	**256,167**	**(670,673)**	**(414,506)**
Movement in reserves during 2019-20							
Surplus/ (deficit) on provision of services	(75,455)	-	-		(75,455)	-	(75,455)
Other Comprehensive Income and Expenditure	-	-	-	-	-	24,265	24,265
Total Comprehensive Income and Expenditure	**(75,455)**	**-**	**-**	**-**	**(75,455)**	**24,265**	**(51,190)**
Adjustments between accounting basis & funding basis under regulations (Note 4)	105,587	-	-	(13,715)	91,872	(91,872)	-
Net Increase/Decrease (-)before transfers to Earmarked Reserves	**30,132**	**-**	**-**	**(13,715)**	**16,417**	**(67,607)**	**(51,190)**
Transfers to/from Earmarked Reserves (Note 5)	(25,486)	25,486	-	-	-	-	-
Increase/Decrease(-) in 2019-20	**4,646**	**25,486**		**(13,715)**	**16,417**	**(67,607)**	**(51,190)**
Balance at 31 March 2020	**46,922**	**192,032**	**-**	**33,630**	**272,584**	**(738,280)**	**(465,696)**
Movement in reserves during 2020-21							
Surplus/ (deficit) on provision of services	(39,294)	-	-	-	(39,294)	-	(39,294)
Other Comprehensive Income and Expenditure		-	-	-	-	(140,021)	(140,021)
Total Comprehensive Income and Expenditure	**(39,294)**	**-**	**-**	**-**	**(39,294)**	**(140,021)**	**(179,315)**
Adjustments between accounting basis & funding basis under regulations (Note 4)	99,757	-	-	4,670	104,427	(104,427)	-
Net Increase/Decrease (-)before transfers to Earmarked Reserves	**60,463**			**4,670**	**65,133**	**(244,448)**	**(179,315)**
Transfers to/from Earmarked Reserves (Note 5)	(49,522)	49,522	-	-	-	-	-
Increase/Decrease(-) in 2020-21	10,941	49,522	**-**	4,670	- 65,133	(244,448)	(179,315)
Balance at 31 March 2021	**57,863**	**241,554**	**-**	**38,300**	**337,717**	**(982,728)**	**(645,011)**

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost during the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2019-20	2019-20	2019-20		2020-21	2020-21	2020-21
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
241,136	(122,763)	118,373	Health and Wellbeing	267,311	(146,548)	120,763
486,477	(379,006)	107,471	Children's Services	497,084	(394,014)	103,070
185,225	(72,633)	112,592	Department of Place	172,882	(48,497)	124,385
6,060	(1,299)	4,761	Chief Executive	6,505	(1,091)	5,414
199,092	(143,250)	55,842	Corporate	191,271	(136,695)	54,576
3,592	(330)	3,262	Non Service Budgets	21,282	(12,305)	8,977
27,555	(3,583)	23,972	Central Budgets	27,919	(6,987)	20,932
1,149,137	**(722,864)**	**426,273**	**Cost of services**	**1,184,254**	**(746,137)**	**438,117**
		30,360	Other Operating Expenditure (Note 8a)			14,309
		62,646	Financing and Investment income and expenditure (Note 8b)			67,177
		(443,824)	Taxation and non-specific grant income (Note 8c)			(480,309)
		75,455	**Surplus (-) /Deficit on Provision of Services**			**39,294**
		(3,880)	Surplus (-)/Deficit on revaluation of non current assets			(6,946)
		(20,385)	Re-measurements of the net defined benefit liability (Note 21d)			146,967
		(24,265)	**Other Comprehensive Income and Expenditure**			**140,021**
		51,190	**Total Comprehensive Income and Expenditure**			**179,315**

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, which represent real cash available to the Council to provide services. The Council must maintain a prudent level of these reserves for unexpected events. The second category of reserves does not represent real cash. It includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

31 March 2020		31 March 2021	Notes
£000		£000	
935,827	Property, Plant and Equipment	937,595	9
37,413	Heritage Assets	37,698	12
54,580	Investment Property	46,102	13
379	Intangible assets	246	14
1	Long term investment	1	16
1,924	Long term debtors	2,425	17
1,030,124	**Long Term Assets**	**1,024,067**	
19,050	Short Term Investments	80,004	18
2,536	Assets Held for sale	225	19
2,270	Inventories	5,754	18
90,729	Short Term Debtors	127,661	18
96,364	Cash and Cash Equivalents	82,571	18
210,949	**Current assets**	**296,215**	
(5,696)	Cash and Cash Equivalents (Overdraft)	(3,413)	18
(15,312)	Short term borrowing	(8,964)	18
(104,714)	Short Term Creditors	(185,871)	18
(6,703)	Provisions	(5,188)	20
(132,425)	**Current Liabilities**	**(203,436)**	
(17,865)	Provisions	(10,600)	20
(336,061)	Long term borrowing	(330,531)	47b
(1,205,044)	Other Long-Term liabilities	(1,405,155)	39
(15,374)	Capital Grants Receipts in Advance	(15,571)	45
(1,574,344)	**Long Term Liabilities**	**(1,761,857)**	
(465,696)	**Net Liabilities**	**(645,011)**	
(272,584)	Usable Reserves	(337,717)	*5*
738,280	Unusable Reserves	982,728	21
465,696	**Total Reserves**	**645,011**	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting year. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council i.e. fees and charges. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e., borrowing) to the Council.

2019-20		**2020-21**
£000		**£000**
(75,455)	Net surplus or (deficit) on the provision of services (Comprehensive Income and Expenditure Statement)	(39,294)
128,210	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 22 d)	184,902
(24,845)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 22 d)	(50,888)
27,910	**Net cash flows from Operating Activities (Note 22 a)**	**94,720**
(23,555)	Investing Activities (Note 22 b)	(53,838)
44,860	Financing Activities (Note 22 c)	(52,392)
49,215	**Net increase or (decrease) in cash and cash equivalents**	**(11,510)**
	Balance Sheet Movement	
41,453	Cash and cash equivalents at the beginning of the reporting period (Balance Sheet: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	90,668
90,668	Cash and cash equivalents at the end of the reporting period (Note 18) (Balance Sheet: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	79,158
49,215	**Net increase or (decrease) in cash and cash equivalents**	**(11,510)**

Note 1. Statement of Significant Accounting Policies

The following notes are provided to give more detailed analysis in support of the main financial statements. They include all the information authorities are required to disclose except that for this Council the following disclosure requirements are not relevant for the 2020-21 Statement of Accounts:

- Schemes under the Transport Act 2000 (road user charging and workplace parking levy schemes): The Council has not entered into any such activities.
- Analysis of net assets used by General Fund services, Housing Revenue Account (HRA) Services and trading services: The Council had no HRA in 2020-21 and none of its trading services uses a material level of the overall net assets.

The accounts have been prepared in accordance with:

- The Accounts and Audit Regulations 2015.
- The Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as adopted and adapted by the Code.

Fundamental Accounting Principles

Where specific legislative requirements and accounting principles conflict, legislative requirements are applied.

Consistent accounting policies have been applied both within the year and between years unless otherwise identified.

The accounts have been prepared on a going concern basis and reflect the reality or substance of the transactions and activities underlying them, rather than their formal character.

The financial statements give a true and fair presentation of the financial position, financial performance and cash flows of the Council.

Balances and transactions are recognised gross rather than netted off each other.

Comparative information is disclosed in respect of the previous period for all amounts reported in the current period's financial statements.

The concept of materiality has been used such that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided in aggregate they would not affect the interpretation of the accounts.

Where estimation techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Council's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current period is disclosed separately.

i. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

There are a small number of exceptions to the accruals concept:

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- Expenditure on rent allowances is accounted for on a 52-week basis, with an occasional 53rd week being charged into the accounts.
- A deminimis of £1,000, services may in exception still do these such as schools, has been set for the 2020-21 year. The Council only manually accrues for debtors and creditors greater than £1,000.

ii. Cash and Cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, but in the balance sheet these are shown gross.

iii. Exceptional Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non – Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, in accordance with the Prudential Code. This requires that the Council sets the annual contribution at a prudent level, so that the contribution pays broadly for the benefit in each year of the capital expenditure in proportion to the overall borrowing required. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP (Minimum Revenue Provision) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, leased cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made using appropriate sampling techniques for the estimated cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged out to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment (before the normal retirement date) or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to individual Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or is making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the actual amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from

the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Local Government Pensions Scheme, administered by Bradford Council on behalf of the West Yorkshire Pension Fund.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pensions Scheme, administered by NHS Pensions.

All schemes provide defined benefits to Members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Health & Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and any other relevant factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond. The discount rate adopted by the Actuary is based on a weighted average of "spot yield" on AA rated corporate bonds.
- The assets of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet (netted from the overall pension liability) at their fair value:

    - quoted securities – current bid price.
    - unquoted securities – professional estimate.
    - unitised securities – current bid price.
    - property – market value.

The change in the net pensions liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest expense on the defined benefit obligation – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is netted off the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Re-measurement of the net defined benefit obligation – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
- Contributions paid to the West Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Additional pension costs such as early retirement costs, for which the WYPF recharge the Council direct, have been included in the liabilities and contributions in line with International Accounting Standard (IAS) 19.

All defined benefits awarded to employees are recognised in the pension liability, and an actuarial calculation of the liabilities in respect of the compensatory added years benefits awarded to teachers has been obtained and included within the overall pension liability.

The difference between the value of the pension fund assets calculated by the actuary and the present value of scheme liabilities is shown in Note 21d relating to the Pension Reserve.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant

accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Local Government Pension Scheme members retiring on or after 6 April 2006 can elect to take a higher lump sum in exchange for a lower retirement benefit. The commutation terms mean that it is less costly for the scheme to provide the lump sum than the pension, as more members take up this option, employers' pension costs are reduced. At its inception it was assumed that 50% of members will take up the option to increase their lump sum to the maximum available. However, the 2020-21 figures are based on actual take-up levels up to 31 March 2021.

Teachers' Pensions

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These benefits are fully accrued in the pension liability.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

viii. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, trade payables, lending, trade receivables, investments and bank deposits of the Council.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy to spread the gain or loss over the term of the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

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

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

Where a council has assets which are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

- Instruments with quoted market prices – the market price.
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

Financial assets measured at fair value through other comprehensive income
Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

ix. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

x. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

xi. Heritage Assets

The Council's Heritage Assets are assets that are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured including treatment of revaluation gains and losses in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where it is practicable to obtain a valuation, heritage assets are held at current value. Valuation methods used by the authority include professional valuations and insurance valuations. The Council has recognised the major pieces of its museum collection on the Balance Sheet on the basis of the lower valuation completed by an external valuer. Civic regalia has been included using as its base the detailed insurance valuations (which are based on market values provided by an external valuer in 2010) held by the Council in respect of the collection.

Where a current valuation is not practicable at a reasonable cost, heritage assets are held at historic cost, if this is known. If neither current valuation nor historic cost is available, then heritage assets are not recognised on the balance sheet. The Council discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

In 2013-14, the accounting policy for one category of Heritage Assets changed, so that items in Museum collections are only included in the balance sheet, where an independent valuation is available.

The Council is unlikely to be able to recognise the majority of the ceramics, porcelain work, figurines, pottery, machinery, ephemera, photography, biological and geological records and specimens, books and manuscripts in future financial statements. This is due to the fact that obtaining valuations for the vast majority of these collections would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Council's financial statements.

The Council discloses information about the nature and scale of its collections of heritage assets, whether or not these have been identified on the balance sheet.

Heritage assets are assumed to be held in perpetuity, and are therefore not depreciated. However, heritage assets are reviewed for impairment in the same way as any other tangible or intangible assets.

The Council has had a number of items kindly donated over the years, but it has insufficient information as to what the value would have been when they were donated. The Council has therefore not recognised any of these assets in the Donated Assets Account on the Balance Sheet prior to 1 April 2010, although their current value might be included as Long Term Assets on the Balance Sheet.

Some assets are also classified as operational heritage assets where they are in addition to being held in trust for future generations, also used by the Council for other activities and services. In such cases, the assets are classified, valued and depreciated in accordance with their general type, for instance buildings.

xii. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences), is capitalised, when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of Council websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and

they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant services in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xiii. Interests in Companies and Other Entities

The Council does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements which would require it to prepare group accounts.

The Council has financial relationships with a number of subsidiary and associated companies, in the main to manage the Building Schools for the Future (BSF) programme. None of them are material in size or nature. They are shown in the notes to the main financial statements and have been treated according to IAS 27 and IAS 28 (Associates).

xiv. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xv. Investment Property

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset. Investment properties are not depreciated but valuations are assessed annually to ensure they reflect market conditions at year end. Gains and losses on revaluation are posted to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposals.

Rentals received in relation to investment properties are credited to Financing and Investment Income and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xvi. Joint Arrangements

Joint arrangements are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Joint arrangements may also mean items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint arrangement does not involve the establishment of a separate entity. The Council accounts for only its share of the joint arrangements, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint arrangement and income that it earns from the arrangement.

xvii. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use assets in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying

amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received).
- finance charge (debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Operating leases

Where the Council does not have the risks and rewards of ownership, the rental income is shown in the Income and Expenditure account as an expense of the Services benefiting from the use of the leased property, plant and equipment.

The Council as Lessor

Finance Leases

Where the Council grants a lease on one of its assets, a finance lease exists where the economic reality is a sale. This is usually when the minimum lease payments approximate to the value of the asset. The accounting treatment is that the related asset is removed from the balance sheet as a disposal and the lease payments separated into deferred capital receipts and interest income.

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future lease rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xviii. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above the de minimis level of £10,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the costs of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and assets under construction – depreciated historical cost.
- Dwellings – current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).
- Community assets – the Council values community assets at current value; historical cost has been used when this is an appropriate stand-in for current value.
- Surplus assets – fair value, estimated at highest and best use, determined from the perspective of market participants.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

Where non-property assets (Vehicles, Plant, Furniture and Equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Component Accounting

The Council's accounting policy from 1 April 2010 onwards is to apply component accounting to all assets being revalued, enhanced or acquired, with a net book value excluding land of £1m or more. Separate components will only be identified where their value is a minimum of 20% of the cost of the asset, and have a different life to other components of the asset. The main component classes to be separately valued will be the structure, plant and equipment, and 'other' to include unusual or one-off components. Where an existing asset is revalued into separate components, the actual or estimated value of the separate components will have to be derecognised. If the original cost is not known, the Council's Asset Management service will use an appropriate index to calculate the net current value of the relevant component.

The Council is also following the Code of Practice's requirements for componentisation where assets are acquired or enhanced, with the Council's £1m minimum value excluding land, for componentisation, as set out below:

- When new assets are acquired, separate components with value over 20%, are recognised on initial recognition. This is best assessed when the asset is first acquired.
- Where an asset is enhanced, separate components (over 20% of total value) have been recognised. These components will not just relate to the enhancement work, but to existing components as well.

Impairment

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, the accounting treatment is:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

Where an impaired loss is reversed subsequently, the reversal is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all Property, Plant and Equipment assets by the systemic allocation of their depreciable amounts. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- Dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment –depreciated over 3 to 25 years as appropriate.
- Infrastructure – straight-line allocation over 30 years.
- Surplus Assets – straight-line allocation over the useful life of the property as estimated by the valuer.
- PFI – straight-line allocation over the useful life of the property as estimated by the valuer.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets are not depreciated in their year of acquisition. Revalued assets do not have their useful economic life (UEL) or depreciation charges amended until the year following the revaluation.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same place in the Comprehensive Income and Expenditure Statement and accounted for as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow), in the Capital Financing Requirement Statement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xix. Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment. The unitary payments made for the PFI schemes are split, using estimation techniques, into separate elements. Those elements impacting on the balance sheet are the repayment of the liability and capital lifecycle replacement costs. Other elements are the interest payable on the outstanding liability, the value of services received and contingent rent (contract inflationary increases) which impact on the Comprehensive Income and Expenditure statement.

xx. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council could be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate services in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

The carrying value of debtors has been impaired to reflect bad and doubtful debts. The impairment is netted off the gross total of debtors in line with accounting practice and is not included in the provisions note. Known uncollectable debts have been written off in full.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

xxi. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. These reserves are classed as usable reserves and itemised in Note 5.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These reserves are classed as unusable reserves and explained in Note 21.

xxii Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes grants and other assistance given to outside bodies and individuals for capital purposes. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxiii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's income and expenditure account.

xxiv. Partnership Arrangements

Where the Council acts as the accountable body for specific grants or other schemes, they are accounted for on the following basis:

- If the Council controls the grant distribution process, all of the grant money received and the associated expenditure will be included in the Council's accounts. Conversely if the Council does not control the award of grant, only the grant allocated to the Council itself and the associated expenditure is recognised in the Council's accounts.
- Where the Council is the ultimate recipient of grant distributed by the decision making body, the grant receivable is included in the accounts on an accruals basis.
- Where liabilities may arise for the repayment of grant as a result of the Council's status as an accountable body these will be recognised in the accounts of the Council in accordance with accounting policies.

xxv. Council Tax and National Non Domestic Rates (NNDR)

In the Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. The Code requires that only the Council's share of income and expenditure and Balance Sheet items are included in the financial statements.

The Council acts as an agent in collecting National Non Domestic Rates (NNDR) on behalf of the government, but also retains a 49 % share of NNDR received. The budgeted, rather than actual, total of the 49% share of NNDR attributable to the Council is recognised in the Comprehensive Income and Expenditure Statement. The difference between the budgeted 49% share and the actual amount received is transferred to the Collection Fund Adjustment Account and credited or debited to the Comprehensive Income and Expenditure Statement in future years.

xxvi. Acquired and Discontinued Operations

Where the Council, has acquired material operations, or discontinued operations, further details will be provided. In general, the acquired or discontinued operations will also be shown separately in the Comprehensive Income and Expenditure Account.

xxvii. Fair value measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses appropriate valuation techniques for each circumstance and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted price (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – unobservable inputs for the asset or liability.

Note 2. Prior Period Adjustments

There were no prior period adjustments in 2020-21

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

Accounting Standards Issued, not yet adopted

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

IFRS 16 Leases: this new standard replaces IAS 17 from 2022-23 and establishes a new model for lessees: it will require local authorities to recognise nearly all leases on their balance sheets. The implementation has been deferred until 1 April 2022.

Definition of a Business: Amendment to IFRS 3 Business Combinations - provides clarity on the definition of a business. WE are not expecting this to affect our accounts when this is implemented from 1st April 2021.

Interest Rate Benchmark Reform phase 1 and phase 2: Amendments to IFRS 9, IAS39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform is expected to affect hedge accounting and therefore we are not expecting this to affect our accounts when this is implemented from 1st April 2021.

Critical Judgements in applying Accounting Policies

The Council has made judgements about different transactions and the uncertainty of future events. The critical judgements made in the Statement of Accounts are:

The Council has judged whether its leases are operating or finance leases. These judgements are based on a number of tests, which determine, regardless of the legal form, whether the economic reality of the lease arrangement is that the Council has purchased the asset on credit. The most common test to determine whether this is the economic reality is that the lease arrangement lasts for most of the life of the asset. The accounting treatment of operating and finance leases is different and impact on the main accounting statements.

The Council has also judged whether its contractual arrangements contain an implicit finance lease, which is to say the economic reality is that the Council is paying for the use of an asset as well as a service. The contractual arrangements are tested in a similar way to the Council's lease arrangements. Where this is the case, the Council has shown the asset on its balance sheet per the economic reality, which is that the asset has been purchased.

In addition, the Council has made judgements about which assets to classify as heritage assets, by judging whether those assets that are non-operational have artistic, scientific, cultural and environmental qualities. The accounting standards allow wide discretion over how to value heritage assets. The Council has made the judgement to value heritage assets using professional external valuations and insurance values on specific assets, where possible.

The Council has judged that when it has committed to a redundancy in writing by the end of the financial year, the costs to the Council of the redundancy are either accrued, if the person has left the Council by 31 March 2021, or included in a provision. A judgement has also been made about whether to include a provision for planned future redundancies, even when the Council is not committed to these. The tests are whether there is a high expectation and likelihood that the redundancies are carried out and that there is a detailed plan for redundancies.

The Council has made judgements about what other provisions should be made in the accounts and the amounts to be set aside. The Council has included provisions where the Council has a commitment at the financial year end to incur expenditure. The amount of the provision is based on an estimate of the commitment incurred using the evidence available, which is then discounted.

A judgement is also made on when to disclose a contingent liability. The test is whether at the yearend date, there is a potential commitment to incur costs conditional on an event, such as the outcome of a court case.

There is also a requirement for the Council to exercise judgement about which school types should be included in the Balance Sheet, given there are different degrees of autonomy with the school types.

By virtue of legal ownership or the control exerted over school governing bodies, the Council recognises on its balance sheet at current value, interests in all schools where ownership is vested either in the Council or a school governing body. This includes all community schools, and some foundation and voluntary controlled schools (64 in total). All other schools (28) are vested in founding trusts controlled by religious or charitable bodies. Ownership of these schools is not recognised by the Council as there is no past transaction or event giving the Council control of these properties; rights to continuing use of the assets, or to the benefits associated with them. This is entirely dependent on the ongoing and future goodwill of the owner which could take back the asset at any time. However, the costs of providing actual education services from such establishments and the revenues arising are recognised as service costs under net cost of services.

Overall the Council’s policy is not to include Academies on its Balance Sheet. As such, schools transferring to Academies will also be de-recognised from the balance sheet and newly built Academies will not be shown as assets on the Council's balance sheet when long term leases have been completed.

The Council has made judgements about how the Building Schools for the Future (BSF) Phase 2 schools were initially recognised on the Council Balance Sheet. Three mainstream Secondary Schools were handed over to the Council along with three co-located Special Education Secondary Schools on the sites. The Private Finance Initiative (PFI) contract does not separate out

the construction costs for the Secondary Schools and the Special Schools and a judgement was made to recognise the schools initially on a 50:50 split based on the construction costs included in the PFI contract. This approach was taken as the PFI assets were to be revalued once they had been handed over to the Council.

The Council has made a judgement on the amount that needs to be set aside to repay past debt. This amount is known as the Minimum Revenue Provision (MRP) and is charged to the Movement in Reserves Statement. Depreciation is calculated on accounting principles, and is charged to the Comprehensive Income and Expenditure Statement but reversed and replaced by MRP charged to the Movement in Reserves Statement. MRP is calculated on regulatory principles according to the Council's judgement of what is prudent.

Assumptions made about the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	The Council had Property, Plant and Equipment of £937.595m as at 31 March 2021. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain whether the Council will be able to maintain an adequate level of spend on repairs and maintenance, which could affect the useful lives of certain assets.	If the useful life of assets is for example reduced, depreciation increases and the carrying amount of the asset falls.
Provisions	The Council also has a provision of £6.641m at 31 March 2021 (£6.622m at 31 March 2020) for insurance claims which it has chosen to self-insure (all claims under £120,000). The insurance provision has been rigorously reviewed over the last two years and is now considered to be at an adequate level to meet all expected claims. In addition, the Council has a provision of £8.111m at 31 March 2021 (£16.474m at 31 March 2020) for the Council's share of Business Rate Appeals. Under IFRS, provisions must be split between short term (up to one year) and long term (over one year). It is not possible to accurately determine when various claims, which may be subject to litigation, will be paid and therefore the analysis of the overall provision between long and short term is an approximate estimate.	If the insurance provision is not adequate, which is considered very unlikely, extra funds would have to be found from available reserves or from in year savings. If the Business Rate appeals provision is not adequate, additional funds would be required from reserves or in year savings. An incorrect allocation of the provision between short term and long term will not change the net worth of the Balance Sheet, or impact on the Council's cash levels. It will either over or understate current or long term liabilities, where short and long term provisions are respectively included.
Pensions Liability	The Council had a pension liability of £1,255m at 31 March 2021. Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries, Aon Hewitt Limited, is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. A 0.1% increase in the discount rate assumption would result in a decrease in the present value of the total defined benefit obligation for Local Government Pension Scheme (LGPS) funded benefits of £36.1m – a decrease from £3,447.9m to £3,411.8m.
Arrears	At 31 March 2021, the Council had a balance of debtors and prepayments of £156.671m, an increase of £39.716m compared to the 31 March 2020 figure of £119.065m. A review of significant balances suggested that a minimum impairment of debts of 15% was appropriate for balances aged at least one year, given the current economic climate, but higher levels than this have been included where appropriate.	If collection rates were to deteriorate, this would increase the amount of the impairment of doubtful debts.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Leases	The Council had £1.021m of finance leases categorised within Property, Plant and Equipment as 31 March 2021. Operating leases are not shown in the Balance Sheet. Under IFRS, all leases must firstly be split into either finance or operating leases, and then into land and buildings. The Council has over 3,000 individual leases, most of which are for relatively small amounts. The Council does not have sufficient valuation staff to review all leases, and the resulting information would not justify the cost. The main assumptions which have been made are: **Split between finance and operating lease:** • A lease where the lease term is less than 75% of the economic life of the asset will be assumed to be an operating lease. • A lease where the real (i.e. present) value of the minimum lease payments is less than 80% of the asset value, is classed as an operating lease. There are approximately 300 equipment leases which have a value over £10,000 over the life of the lease which will be reviewed. Those under £10,000 will not be reviewed.	The effect of making an incorrect classification between finance and operating leases is not considered material. The effect of not undertaking a separation of land and buildings for all relevant leases is also not considered material. Many leases are for land only, for which assessment will be relatively easy.
Fair value measurements	When the fair value of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (ie Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable date, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine the fair value (for example for investment properties the Council's chief valuation officer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 9, 13 and 47.	The methods used to arrive at the fair value of surplus and investment properties are described in notes 10 and 13. They are based on observable data. The method used to measure the fair value of Investments is described in Note 47.

Note 4. Adjustments between accounting basis and funding basis under Regulations 2020-21

This note shows the removal of expenditure and income included in the accounts in accordance with accounting policies but not chargeable against Council Tax by statute. For example, depreciation is charged in accordance with accounting policy but is not chargeable against Council Tax by statute. The note also shows the charging of other items against Council Tax according to statute but which are excluded by accounting policies, for instance the minimum revenue provision.

2019-20					2020-21			
Useable Reserves				Useable Reserves	Useable Reserves			
General Fund Balance	Capital Receipts & Deferred Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves	**Adjustment between Accounting Basis and Funding Basis Under Regulation**	General Fund Balance	Capital Receipts & Deferred Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account: Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
33,027	-	-	(33,027)	Charges for depreciation and impairment of non current assets	33,681	-	-	(33,681)
17,271	-	-	(17,271)	Revaluation losses on property, plant and equipment	6,878	-	-	(6,878)
5,274	-	-	(5,274)	Movements in the market value of Investment Properties	7,943	-	-	(7,943)
254	-	-	(254)	Amortisation of intangible assets	143	-	-	(143)
(20,723)		-	20,723	Capital grants and contributions applied	(28,445)	-	-	28,445
7,683	-	(5,351)	(2,332)	Revenue expenditure funded from capital under statute (REFCUS)	7,666	-	(5,453)	(2,213)
31,457	-	-	(31,457)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	16,502	-	-	(16,502)
-	-	-	-	Donated Assets	-	-	-	-
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
(18,914)	-	-	18,914	Statutory provision for the financing of capital investment	(24,435)	-	-	24,435
(3,796)	-	-	3,796	Capital expenditure charged against the General Fund	(4,897)	-	-	4,897
				Adjustments primarily involving the Capital Grants Unapplied Account:				
(2,067)	-	2,067	-	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(10,748)	-	10,748	-
-	-	(10,431)	10,431	Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(625)	625
				Adjustments primarily involving the Capital Receipts Reserve				
(3,253)	3,253	-	-	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,785)	5,077	-	(292)
-	(2,055)	-	2,055	Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,979)	-	2,979
-	-	-	-	Used for debt repayment	-	(2,097)	-	2,097
-	-	-	-	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	(1)	-	1
				Adjustments primarily involving the Deferred Capital Receipts Reserve:				
-	(1,198)	-	1,198	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-
				Adjustments primarily involving the Financial Instruments Adjustment Account:				
(275)	-	-	275	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(276)	-	-	276
				Adjustments primarily involving the Pensions Reserve:				
108,266	-	-	(108,266)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	109,607	-	-	(109,607)
(48,683)	-	-	48,683	Employer's pensions contributions and direct payments to pensioners payable in the year:	(48,123)	-	-	48,123
				Adjustments primarily involving the Collection Fund Adjustment Account:				
(68)	-	-	68	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	36,103	-	-	(36,103)
				Adjustment primarily involving the Accumulated Absences Account:				
134	-	-	(134)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	2,943	-	-	(2,943)
105,587	**-**	**(13,715)**	**(91,872)**	**Total Adjustments between accounting basis & funding basis under regulations**	**99,757**	**-**	**4,670**	**(104,427)**

Note 5. Transfers to/from Earmarked Reserves

	Balance at 31 March 2019	Transfers Out	Transfers In	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000
General Fund							
General Fund Reserve	15,000	-	-	15,000			15,000
Schools Delegated Balances	27,276	-	4,646	31,922	(1,145)	11,153	41,930
Held by Council – Schools	-	-	-	-	(212)	1,145	933
A. Total General Fund Balance	**42,276**	**-**	**4,646**	**46,922**	**(1,357)**	**12,298**	**57,863**
Earmarked Reserves							
Reserves available to support future budget decisions	10,300	-	-	10,300	-	400	10,700
Earmarked Reserves							
Transitional and Risk	16,759	(7,593)	3,777	12,943	(2,128)	4,218	15,033
Exempt VAT	2,000	-	-	2,000	-	1,000	3,000
Producer City Initiative	157	-	-	157	-	-	157
PFI - Contracts	490	-	-	490	-	-	490
Employment Opportunities Fund	241	(241)	328	328	-	1,587	1,915
Trade Waste VAT Refund	103	(103)	-	-	-	-	-
Insurance	1,775	-	-	1,775	(1,775)	-	-
Insurance Risk	1,893	-	-	1,893	-	-	1,893
Industrial Centres of Excellence	1	(1)	-	-	-	-	-
Regional Growth Fund	4,222	(481)	-	3,741	(106)	-	3,635
Better Use of Budgets	789	(789)	-	-	-	5,166	5,166
Regional Revolving Investment Fund	625	-	-	625	-	-	625
Discretionary Social Fund	1,622	(127)	-	1,495	(98)	-	1,397
Single Status	23	(23)	-	-	-	-	-
Health Integration	222	(222)	-	-	-	-	-
Match Fund Basic Needs Grant	700	-	-	700	-	-	700
Dilapidation & Demolition	1,388	(442)	-	946	(179)	1,000	1,767
Strategic Site Assembly & Develop	698	(200)	111	609	(300)	-	309
Redundancy Reserve	5,430	(734)	-	4,696	-	-	4,696
Implementation Reserve	2,557	(1,449)	-	1,108	(259)	655	1,504
Review of Council's MRP Policy	10	(10)	-	-	-	-	-
Review of Council's Pension Guarantees	4	(4)	-	-	-	-	-
NDR Volatility Reserve	2,735	-	-	2,735	(1,000)	-	1,735
Council Tax Reserve	575	-	-	575	-	-	575
Leeds City Region WYTF	421	-	-	421	-	-	421
Leeds City Region Economic Development	402	-	-	402	-	-	402
Finance Works Reserve	56	-	38	94	-	-	94
Markets Compensation	360	(112)	400	648	(325)	400	723
Financing Reserve 2019/20	1,000	-	-	1,000	-	-	1,000
ICT Programmes Budget	-	(1,818)	4,951	3,133	(1,709)	-	1,424
Children Services Investment Fund	-	-	1,039	1,039	(694)	400	745
S31 Business Rate Grants & TIG Reserve	-	-	16,854	16,854	(16,854)	34,995	34,995
Covid 19 funding allocation Reserve	-	(2,746)	15,757	13,011	(21,089)	30,227	22,149
Project Feasibility Reserve	-	-	-	-	-	2,000	2,000
Indexation Pressures Reserves	-	-	-	-	(1,295)	1,431	136
CT Hardship Reserves	-	-	-	-	-	99	99
Financing Reserve	47,401	-	5,172	52,573	-	-	52,573
	94,659	(17,095)	48,427	125,991	(47,811)	83,178	161,358
Reserves for capital investment							
Markets	390	(288)	-	102	(309)	300	93
Renewal and Replacement	5,137	-	-	5,137	-	-	5,137
	5,527	(288)	-	5,239	(309)	300	5,230
Service Earmarked Reserves							
PFI - BSF Unitary Charge	13,599	-	1,557	15,156	-	966	16,122
Supporting People	754	(690)	-	64	-	-	64
Integrated Health and Social Care	838	(290)	1,500	2,048	(100)	6,283	8,231
Community Support and Innovation Fund	322	(20)	-	302	(23)	-	279
Other	21,911	(9,032)	2,893	15,772	(4,170)	3,266	14,868
	37,424	(10,032)	5,950	33,342	(4,293)	10,515	39,564
Revenue Grant Reserves	18,636	(7,177)	5,701	17,160	(4,112)	11,151	24,199
HRA Reserve	-	-	-	-	-	503	503
B Total Earmarked Reserves	**166,546**	**(34,592)**	**60,078**	**192,032**	**(56,525)**	**106,047**	**241,554**
C Capital Grants Unapplied	47,345	(15,782)	2,067	33,630	(6,078)	10,748	38,300
D Capital Receipts Reserve	-	(2,056)	2,056	-	(5,077)	5,077	-
E Total Other Usable Reserves	**47,345**	**(17,838)**	**4,123**	**33,630**	**(11,155)**	**15,825**	**38,300**
Total Usable Reserves	**256,167**	**(52,430)**	**68,847**	**272,584**	**(69,037)**	**134,170**	**337,717**

Earmarked Reserves are amounts set aside to meet the cost of future commitments, political priorities and specific financial risks. Capital Grants and Capital Receipts unapplied also represent real cash balances but these can only be used to fund capital expenditure.

a) General Fund Balance (£57.9m)

A net £57.863m balance has been carried forward to 2021-22 (£46.9m at 31 March 2019). This includes £42.9m carried forward for schools under delegated budgets.

All authorities are expected to maintain a prudent balance for unforeseen events and to assist cash flow management at a prudent level. The Council has assessed this level to be £15m.

b) Earmarked Reserves (£241.6m)

In light of the ongoing reductions in Government funding since 2010, the Council has consistently applied its Reserves Policy to either fund one off priority investment or transitional activity whilst seeking to reduce its recurrent cost base. A policy which to date has served the Council well.

At 31 March 2021 the Council has available £10.7m of unallocated corporate reserves. In 2020-21 the overall level of earmarked reserves increased by a net £49.5m from £192m at 31 March 2020 to £241.6m at 31 March 2021.

c) Capital Grants Unapplied Reserve (£38.3m)

The Capital Grants Unapplied Reserve represents usable capital grants available to fund capital expenditure. Capital Grants are included in this reserve, rather than shown as Capital Grants Receipted in Advance when all the grant conditions have been met. Capital grants and contributions unapplied are credited to the Comprehensive Income and Expenditure Account when grant conditions are met.

d) Capital Receipts Reserve (£0m)

When capital receipts are used either to repay debt or to fund capital investment, they are transferred from the Capital Receipts Unapplied Reserve to the Capital Adjustment Account.

Authorities are required to pay 75% of their housing capital receipts into a national pool. The Council was required to pay £1k to the pool in 2020-21 (£1k in 2019-20). The Council is required to make a corresponding transfer to the Capital Receipts Reserve to offset the contribution to the pool. This transfer is shown in the Statement of Movement on the General Fund Balance. The usable balance of housing receipts and all other capital receipts are held in the Capital Receipts Reserve until applied either to finance capital expenditure or to repay debt.

2019-20 £000	Capital Receipts Reserve	2020-21 £000
-	**Balance at 1 April**	-
	Usable receipts in the year	
2,055	Disposal of assets	4,785
1	Other capital receipts	292
(1)	Appropriation to (–) from Revenue Account re pooled housing receipts	(1)
(2,055)	Used to finance capital spending	(2,979)
-	Used for debt repayment	(2,097)
-	**Balance at 31 March**	-

Whilst most capital receipts arise from the disposal of assets, other capital receipts may arise, mainly where the Council has given a loan or other assistance for capital purposes.

Note 6. Exceptional Items

There were no exceptional items in 2020-21 or 2019-20.

Note 7. Post Balance Sheet Events

Since 1 April no schools have transferred to Academy status but the long term leases has been completed for the one Academy School that was on the Council Balance Sheet. The school assets have an estimated value of £17.1m at 31 March 2021 and will be removed from the Balance Sheet in 2021-22.

Note 8. Analysis of the Comprehensive Income and Expenditure

The following tables provide a further analysis of the individual lines that appear on the face of the Comprehensive Income and Expenditure Statement:

a) Other Operating expenditure

2019-20 £000	Other Operating expenditure	2020-21
2,205	Parish Council Precepts	2,544
1	Payments to the Government Housing Capital Receipts Pool	1
28,154	Losses on the disposal of non-current assets	11,764
30,360	**Total**	**14,309**

b) Financing and Investment Income and Expenditure

2019-20 £000	Financing and Investment Income and Expenditure	2020-21 £000
34,168	Interest payable and similar charges (see table b2 below)	33,629
23,587	Net Interest on the Pension net defined benefit liability/(asset)	23,513
(639)	Interest receivable and other income	(260)
2,840	Income and expenditure in relation to investment properties and changes in their fair value	6,202
(655)	Other investment income	(751)
3,345	Net Deficit/surplus on Trading Accounts	4,844
62,646	**Total**	**67,177**

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

2019-20 £000	Interest Payable and Similar Charges	2020-21 £000
	External interest charges	
15,351	Public Works Loans Board	14,737
17,010	Interest on PFI and finance lease rentals	17,118
1,546	Lender Option Borrower Option (LOBO's)	1,549
220	Transferred debt	210
41	Interest on short term borrowing	15
34,168	**Total**	**33,629**

d)Taxation and Non- Specific Grant Income

2019-20 £000	Taxation and Non-Specific Grant Income	2020-21 £000
(197,260)	Council Tax income	(203,629)
(96,546)	Non domestic rates	(36,255)
(127,228)	Non-ringfenced government grants (see below)	(201,231)
(22,790)	Capital grants and contributions	(39,194)
-	Donated Assets Funding	-
(443,824)	**Total**	**(480,309)**

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Income and Expenditure Account. In 2020-21 the Council received the following:

e) Government Grants

2019-20 £000	Government grants (not attributable to specific services)	2020-21 £000
-	Revenue Support Grant	(34,609)
(67,061)	Top Up Grant	(69,269)
(839)	Local Services Support Grant	(852)
(4,887)	New Homes Bonus Grant	(4,118)
(38,684)	Section 31 Grant, mainly relating to Business Rates and National Levy surplus	(27,853)
(15,757)	Covid 19 Support Grant	(38,563)
-	Income Compensation Scheme	(12,973)
-	Council Tax Hardship Grant	(5,852)
-	75% Tax Income Guarantee Compensation	(7,142)
(127,228)	**Total**	**(201,231)**

Note 9. Property, Plant and Equipment: Movements on Balances in 2020-21

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation									
At 1 April 2020	**36,274**	**611,701**	**50,085**	**380,076**	**54,278**	**13,034**	**13,223**	**1,158,671**	**48,325**
Additions	189	13,332	8,422	18,452	78	885	7,930	**49,288**	219
Revaluation in the Rev. Reserve	-	6,510	-	-	(75)	(1,208)	-	**5,227**	-
Revaluation. in Surplus/Deficit on the Provision of Services	(3,716)	(6,588)	-	-	(6)	(299)	-	**(10,609)**	-
Derecognition – disposals	-	(14,188)	(3,219)	-	-	(237)	-	**(17,644)**	-
Derecognition - other	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/ from Held for Sale	-	(53)	-	-	-	(774)	-	**(827)**	-
Reclassifications	-	(1,862)	-	-	5	1,865	-	**8**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2021	**32,747**	**608,852**	**55,288**	**398,528**	**54,280**	**13,266**	**21,153**	**1,184,114**	**48,544**
At 1 April 2020	**-**	**(44,875)**	**(29,585)**	**(147,990)**	**-**	**(394)**	**-**	**(222,844)**	**(1,823)**
Depreciation charge	(605)	(14,820)	(5,564)	(12,627)		(65)	-	**(33,681)**	(1,027)
Depreciation w/o Revaluation Reserve	-	1,185	-	-	-	249	-	**1,434**	-
Depreciation w/o to the Surplus/Deficit on the Provision of Services	-	3,654	-	-	-	77	-	**3,731**	-
Impairment losses/ (reversals) in the Revaluation Reserve	-	-	-	-	-	-	-	**-**	-
Impairment in Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**	-
Derecognition – disposals	-	1,701	3,132	-	-	-	-	**4,833**	-
Derecognition – other	-	-	-	-	-	-	-	**-**	-
Reclassifications – Other	-	281	-	-	(1)	(272)	-	**8**	-
Other movements in depreciation & impairment								**-**	-
At 31 March 2021	**(605)**	**(52,874)**	**(32,017)**	**(160,617)**	**(1)**	**(405)**	**-**	**(246,519)**	**(2,850)**
At 31 March 2020 – Net Book Value	**36,274**	**566,826**	**20,500**	**232,086**	**54,278**	**12,640**	**13,223**	**935,827**	**46,502**
At 31 March 2021 – Net Book Value	**32,142**	**555,978**	**23,271**	**237,911**	**54,279**	**12,861**	**21,153**	**937,595**	**45,694**

Comparative Movements in 2019-20

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & equipment	Infrastructure assets	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**	PFI Assets Included in Property Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation									
At 1 April 2019	**25,005**	**634,248**	**46,143**	**358,312**	**54,211**	**17,296**	**32,203**	**1,167,418**	**48,211**
Additions	587	10,573	6,075	21,764	82	897	17,412	**57,390**	114
Revaluation in the Rev. Reserve	35	1,544	-	-	225	(1,262)	-	**542**	-
Revaluation. in Surplus/Deficit on the Provision of Services	(2,946)	(24,234)	-	-	45	(946)	-	**(28,081)**	-
Derecognition – disposals	-	(33,158)	(2,133)	-	-	(509)	-	**(35,800)**	-
Derecognition - other	-	-	-	-	-	-	-	**-**	-
Assets reclassified (to)/ from Held for Sale	-	-	-	-	(285)	(2,505)	-	**(2,790)**	-
Reclassifications	13,593	22,728	-	-	-	63	(36,392)	**(8)**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2020	**36,274**	**611,701**	**50,085**	**380,076**	**54,278**	**13,034**	**13,223**	**1,158,671**	**48,325**
At 1 April 2019	**(385)**	**(45,674)**	**(26,695)**	**(135,639)**	**-**	**(300)**	**-**	**(208,693)**	**(803)**
Depreciation charge	(412)	(15,155)	(5,008)	(11,916)	-	(101)	-	**(32,592)**	(1,020)
Depreciation w/o Revaluation Reserve	-	2,951	-	-	-	32	-	**2,983**	-
Depreciation w/o to the Surplus/Deficit on the Provision of Services	797	9,982	-	-	-	97	-	**10,876**	-
Impairment losses/ (reversals) in the Revaluation Reserve	-	-	-	-	-	-	-	**-**	-
Impairment in Surplus/Deficit on the Provision of Services	-	-	-	(435)	-	-	-	**(435)**	-
Derecognition – disposals	-	2,757	2,118	-	-	6	-	**4,881**	-
Derecognition – other	-	-	-	-	-	-	-	**-**	-
Reclassifications – Other	-	264	-	-	-	(128)	-	**136**	-
Other movements in depreciation & impairment	-	-	-	-	-	-	-	**-**	-
At 31 March 2020	**-**	**(44,875)**	**(29,585)**	**(147,990)**	**-**	**(394)**	**-**	**(222,844)**	**(1,823)**
At 31 March 2019 – Net Book Value	**24,620**	**588,574**	**19,448**	**222,673**	**54,211**	**16,996**	**32,203**	**958,725**	**47,408**
At 31 March 2020 – Net Book Value	**36,274**	**566,826**	**20,500**	**232,086**	**54,278**	**12,640**	**13,223**	**935,827**	**46,502**

PFI Assets Included in Property Plant & Equipment asset values have been adjusted to reflect updated 2018-19 revaluation entries for Hanson and Titus. These entries were included in the Total Property Plant & Equipment figures and valuation disclosed on the Balance Sheet.

Note 10. Valuations

Operational and non-operational assets have been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Estate Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Not all properties were inspected as this was not considered necessary for the purposes of the valuation. Revaluations are planned through a five year rolling programme and have been listed in the table over in the year they were revalued.

Valuations were completed during the period 1st April 2020 to 30th April 2021. Assets reviewed as part of the 5-year plan were valued as at the 1st April 2020, with the exception of assets that had significant spend in year which were valued with effect from 31st March 2021.

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

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

Revaluations

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at Historical Cost	-	12	23,271	491	237,911	20,440	21,153	303,278
Held at Valuation Value in:								
2016/17	-	26,247	-	1,374	-	1,446	-	29,067
2017/18	-	34,948	-	2,186	-	25,407	-	62,541
2018/19	-	289,729	-	1,363	-	4,958	-	296,050
2019/20	25,811	124,296	-	3,786	-	994	-	154,887
2020/21	6,331	80,746	-	3,661	-	1,034	-	91,772
Total	**32,142**	**555,978**	**23,271**	**12,861**	**237,911**	**54,279**	**21,153**	**937,595**

Fair value measurement of surplus assets

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

There has been no change in the valuation technique used during the year for surplus assets. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.

There have been no transfers between the different levels of hierarchy during the year.

Note 11. Capital Commitments and Obligations Under Long Term Contracts

a) Capital Commitments

The Council has an approved capital investment plan for the period 2020-21. At 31 March 2021 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2019-20 and future years budgeted to cost £17.222m. Similar commitments at 31 March 2020 were £13.594m. The major commitments (over £0.250m) are:

Capital Commitments	2019-20 £'000	2020-21 £'000
Primary Schools Expansion Programme	399	-
Secondary Schools Expansion Programme	1,796	-
SEN Expansion	-	912
Silsden Primary School	8,541	3,624
New Affordable Housing – (Braithwaite Road)	283	-
Wyke Sports Hub	-	4,430
Lister Park Playable Spaces	-	600
Vehicle Replacement	5,148	-
Ilkley Lido	325	-
Bereavement Project	730	1,653
Coroners Court	-	2,278
WYCA Taxi EV charge point project	-	265
WY+TF - Bradford to Shipley Corridor	-	1,329
Smart Street Lighting	-	1,682
Clean Air Zone	-	400
Total	**17,222**	**17,173**

b) Obligations Under Long-Term Contracts

There was no long term obligation at 31 March 2021.

Note 12. Heritage Assets

Tangible Heritage Assets

	Museum collection	Civic regalia	Statues & Monuments	Total Assets
	£000	£000	£000	£000
Cost or valuation				
1 April 2019	35,213	1,732	113	37,058
Additions				
Revaluation increases / (decreases) recognised in the revaluation reserve	355	-	-	355
31 March 2020	**35,568**	**1,732**	**113**	**37,413**
Cost or valuation				
1 April 2020	35,568	1,732	113	37,413
Additions				
Revaluation increases / (decreases) recognised in the revaluation reserve	285	-	-	285
31 March 2021	**35,853**	**1,732**	**113**	**37,698**

The Council held £37.7m heritage assets on its Balance Sheet as at 31 March 2021.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The Council acquires heritage assets in accordance with established Council Policies, i.e. the Acquisitions & Disposals Policy, Bradford Museums & Galleries. The policy of the Council is to manage and preserve its heritage assets and has no plans to dispose of them. Heritage assets are largely held in museums, managed by the Council, where there is public access. Other heritage assets are held for annual usage, such as the Lord Mayor's chain or items on display at City Hall.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation in the financial statements in relation to these heritage assets.

Museum Collection – items on the Balance Sheet

The collection includes a wide range of material that collectively contributes to national / district knowledge and culture through their archaeological, historic, artistic, scientific, technological, geophysical and environmental qualities. These items are held at four main museums and two external stores within the district. More information on the collections can be found on the Council's website at http://www.bradfordmuseums.org

The council owns approximately 691,000 items within the museum collections. It is not considered practical to individually value this entire collection, and so only those items which are considered to have a significant value are individually valued and recorded in the balance sheet at their current valuation.

In 2012-13 there was a review of the major pieces of the Fine Art Collection held at Cartwright Hall by external valuers Christies. For those items reviewed by Christies they have been included on the Balance Sheet based on auction values (lower range). In 2014-15 and 2015-16 further items in the collection were reviewed by external valuers resulting in revaluation increases of £2,861,000 and £88,000. In 2016-17 two paintings and two cannons were reviewed by external valuers which resulted in a revaluation increase of £85,000. During 2017-18 three paintings were reviewed by Christies and this resulted in a revaluation increase of £160,000. In addition, four paintings already included on the Balance Sheet have a revaluation increase of £31,000. In 2019-20 there were six new valuations by external valuers resulting in a revaluation increase of £260,000. In addition, four paintings already included on the Balance Sheet have a revaluation increase of £95,000.

During 2020-21 there have been three new valuations by external valuers resulting in a revaluation increase of £155,000. In addition, four paintings already included on the Balance Sheet have a revaluation increase of £130,000 following review by external valuers Christies.

In addition to external valuations the collection is considered for insurance values and four items are included on the Balance Sheet at insurance values which is based on values estimated by museum staff. The insurance values are considered annually.

Those items that are on temporary loan to the museum service have not been included in the Council's Balance Sheet as they are not the Council's assets.

Museum exhibits and works of art – overall collections

As explained in the note above, only those items which have a significant individual value are included in the balance sheet. The current insurance valuation of the lesser valued items has been given a collective value of £46m. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The Council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

Civic Regalia
The Council's external valuer for its Civic Regalia (Sydneys Ltd) carried out a full valuation of the collection as at June 2010. The valuations are based on commercial markets. The valuations are updated approximately every ten years with the previous one completed in April 2001. The Council's Civic Regalia is held in City Hall.

Statues and external works of art

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

For the majority of the statues, neither cost nor valuation information can be provided and therefore reported in the Balance Sheet. This relates to over 60 statues and memorials that are located across the district.

Other Heritage Assets

There are also potential heritage assets not included on the balance sheet and these include:

- Scheduled ancient monuments and regionally important geological sites – carved rocks and caves.
- Library archives - maps, photographs, newspapers & electoral rolls.
- Fossil Tree stumps.
- Statues and memorials across the district.

The Council also has a number of scheduled ancient monuments located on assets that it owns. In addition, there are records within the Library archives that are being held for historical reference. These assets cannot be valued because of the diverse nature of the assets and therefore cost or valuation information is not available as conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Also, some heritage assets have been classified as operational heritage assets when they are in use, for instance a building which is used for office accommodation or to house a museum collection. In these cases, the asset is classified according to its type, in this case as land and buildings within the Property Plant and Equipment balance.

No significant heritage assets were disposed of in 2020-21 or 2019-20.

Additions of Heritage Assets

There have been no significant purchases of heritage assets in 2020-21 but there have been some additions to the museum collections in the last two years. Individually these have not been thought significant so there is no separate valuation included in the Balance Sheet for purchased items.

Note 13. Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. For example, the net gain of £1.683m (see below Analysis of Rental Income and Management Costs of Investments), less the decrease of £7.943m on fair value (see below reconciliation of Movements on Investments), add the gain on disposal of £0.058m comprise the £6.202m charge for investment properties in Note 8(b), Financing and Investment Income and Expenditure, page 412.

2019-20 £000		2020-21 £000
(2,744)	Rental income from investment property	(2,427)
(108)	Other income (service and other charges)	(96)
	Direct operating expenses:	
95	Repairs & maintenance	161
274	Management expenses	679
(2,483)	**Net (gain)**	**(1,683)**

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

2019-20 £000	Reconciliation of Movements on Investments	2020-21 £000
53,592	**Balance at 1 April**	**54,580**
6,555	Additions	33
(165)	Disposals	(561)
(5,274)	Net gains/losses(-) from fair value adjustments	(7,943)
	Transfers	
(128)	To/from Property, Plant and Equipment	(7)
54,580	**Balance at 31 March**	**46,102**

Investment Property has been valued by Belinda Gaynor MRICS and other similarly qualified officers of the Council's Asset Management Service, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Properties are not depreciated, the fair value of the Council's investment property is considered annually at each reporting date. Properties valued at over £0.1m are subject to a review annually whilst those less than £0.1m are subject to a full revaluation every 5 years as part of the rolling programme, and a desktop review is undertaken on the interim years.

Fair value

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes (see Note 1 for explanation of fair value levels).

In accordance with IFRS 13, investment properties have been valued at highest and best value. Investment properties comprise industrial, retail, residential and office units; development and grazing land. Investment assets have been valued on a desktop basis using the Investment Method of Valuation relying on data held on the council's property database and case files and the knowledge of Estate Management staff. The main considerations in valuing investment properties are rental yields and sale values; size, location, configuration and access; condition and covenants. All investment property valuations are based on such observable inputs.

There were no transfers between levels during the year.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and best use of investment properties

In most cases the current use of assets has been considered to be the highest and best use of the properties. The exception to this is land suitable for development which is currently put to a lower value use. In such cases, the use for which the property could be developed has been regarded as the highest and best use of the asset.

Note 14. Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular Information Technology (IT) system and accounted for as part of the hardware item within Property, Plant and Equipment. The intangible assets include only purchased licences and do not include any internally generated software. The Council does not have any intangible assets apart from software.

All software is given a useful life, based on the assessments of the period that the software is expected to be of use to the Council. All of the Council's software has an estimated useful life of between five and ten years. The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.254m charged to revenue in 2019-20 (£0.24m in 2018-19) was charged to the IT cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

The movement on Intangible Asset balances during the year is as follows:

	2019-20 **£000**	**2020-21** **£000**
Balance at 1 April each year		
• Gross carrying amounts	20,144	20,325
• Accumulated amortisation	(19,714)	(19,946)
Net carrying amount at start of year	**430**	**379**
Additions :		
• Purchases	218	10
Other disposals	(15)	-
Amortisation for the period	(254)	(143)
Net carrying amount at end of year	**379**	**246**
Comprising :		
• Gross carrying amounts	20,325	19,702
• Accumulated amortisation	(19,946)	(19,456)

The intangible assets figure largely comprise the software required to run the Council's computer system. The Council has not been able to revalue this software due to its specialist nature as it has been specifically configured for the Council and is not easily comparable with any other system. However, the life of the system used for amortisation is estimated to be conservative, and the actual life should exceed the estimated life for accounting purposes.

Note 15. Construction Contracts

The Council did not enter into any construction contracts in 2020-21 or 2019-20.

Note 16. Long Term Investment

The Council's long term investment at 31 March 2021 is made up of £1,000 in Integrated Bradford LEP Ltd (31 March 2021 £1,000).

Integrated Bradford LEP Ltd – Company no. 5797774
In December 2006, the Council took a £1,000, (10%) interest in the Local Education Partnership, Integrated Bradford LEP Limited. The company has been set up to deliver the capital investment programme in Bradford secondary schools funded through the government initiative Building Schools for the Future.

Note 17. Long Term Debtors

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

31 March 2020 £000	Analysis of Long Term Debtors	31 March 2021 £000
	Former Council house tenants	
	Other local authorities re joint services	
	Collection Fund	527
456	Car loans	446
241	Building Schools for the Future Ltd	227
481	Loans to organisations	479
4	Housing Advances	4
210	Balance owing on sale of assets on finance lease(s)	210
532	Other	532
1,924	**Total**	**2,425**

Note 18. Current Assets and Current Liabilities

31 March 2020 £000	Inventories	31 March 2021 £000
-	PPE	3,458
2,270	Other	2,296
2,270	**Total**	**5,754**

Short term Debtors and Payments in Advance

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

31 March 2020 £000	Analysis of Debtors and Payments in Advance	31 March 2021 £000
	Amounts falling due within one year	
8,663	Central Government bodies	50,650
19,716	Other local authorities	6,801
2,406	NHS bodies	11,851
694	Public corporations and trading funds	651
78,824	Other entities and individuals	80,159
8,763	General payments in advance	6,559
119,066	**Total**	**156,671**
	Less provision for bad and doubtful debts	
17,426	Collection Fund	19,805
10,911	Other	9,205
90,729	**Net Total**	**127,661**

The net debtors have increased from a total of £90.729m at 31 March 2020 to £127.661m at 31 March 2021, an increase of £36.932m.

Short Term Investments

The Council has short term investments of £80.004m; see Balance Sheet (£19.050m 2019-20). This is invested with banks and building societies.

Cash and Cash Equivalents

At any point in time the cash flow of the Council can result in temporary cash balances which are put into short-term investments. At the 31 March 2021, £14.0m was invested in short term deposits, banks and building societies (£53.8m at 31 March 2020)

31 March 2020 £000		31 March 2021 £000
47	Cash held by the Council	590
42,517	Bank accounts	67,981
53,800	Short term deposits with building societies and banks	14,000
96,364	**Total Cash and Cash Equivalents**	**82,571**
(5,696)	Cash and Cash Equivalents Overdrawn	(3,413)
90,668	**Total net Cash and Cash Equivalents**	**79,158**

The Council also has short term borrowings of £8,964m (£15.312m 2019-20).

Creditors and Receipts in Advance

31 March 2020 £000	Analysis of Creditors and Receipts in Advance	31 March 2021 £000
	Amounts falling due within one year	
(18,251)	Central Government bodies	(70,920)
(1,146)	Other local authorities	(975)
(3,562)	NHS bodies	(1,537)
(6,468)	Public corporations and trading funds	(509)
(57,333)	Other entities and individuals	(71,916)
(86,760)	**Total**	**(145,857)**
	Receipts in advance	
(12,755)	Sundry	(35,594)
(5,199)	Developer's contributions	(4,420)
(17,954)	**Total**	**(40,014)**
(104,714)	**Total Creditors and Receipts in Advance**	**(185,871)**

Note 19. Assets held for sale

Current Assets held for sale

	2019-20 £000	2020-21 £000
Balance outstanding at start of year	**170**	**2,536**
Additions	-	-
Assets newly classified as held for sale:	2,790	819
- Property, Plant and Equipment		
Revaluation losses	(66)	-
Assets declassified:		
- Property, Plant and Equipment	-	-
Assets sold	(358)	(3,130)
Balance outstanding at year end	**2,536**	**225**

Note 20. Provisions

The provisions totals of £15.788m at 31 March 2021 and £24.568m at 31 March 2020 are separated on the Balance Sheet into current and long term provisions. The current provisions are those expecting to be used in the next financial year, £5.188m at 31 March 2021 (£6.703m at 31 March 2020). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £10.600m at 31 March 2021 (£17.865m at 31 March 2020).

	Termination	Redundancy Provision	Personal Search fees	MMI Scheme of Arrangement	Outstanding legal cases	Injury and Damage Compensation Claims	Business Rate Appeals	**Total**
	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 31 March 2019	**1,093**	**341**	**93**	**1,307**	**3,298**	**2,840**	**20,368**	**29,340**
Additional provisions made in 2019-20	733	-	-	-	922	3,078	-	**4,733**
Amounts used in 2019-20	(1,481)	(341)	-	-	(286)	(1,281)	(747)	**(4,136)**
Unused amounts reversed in 2019-20	-	-	-	(274)	(913)	(1,035)	(3,147)	**(5,369)**
Balance at 31 March 2020	**345**	**-**	**93**	**1,033**	**3,021**	**3,602**	**16,474**	**24,568**
Additional provisions made in 2020-21	-	-	-	-	2,487	2,961	-	**5,448**
Amounts used in 2020-21	(289)	-	-	-	(1,212)	(929)	-	**(2,430)**
Unused amounts reversed in 2020-21	-	-	-	(147)	(676)	(2,613)	(8,362)	**(11,798)**
Balance at 31 March 2021	**56**	**-**	**93**	**886**	**3,620**	**3,021**	**8,112**	**15,788**
								-
Short-Term	56	-	93	-	1,546	1,370	2,123	**5,188**
Long-Term	-	-	-	886	2,074	1,651	5,989	**10,600**
Balance at 31 March 2021	56	-	93	886	3,620	3,021	8,112	**15,788**

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

Termination (£0.056m) – for planned future redundancy costs arising from the detailed saving proposals approved as part of the 2020-21 Budget. No new redundancies were budgeted as part of savings plans for 2021-22.

Personal Search fees (£0.93m) – Whilst Personal Search companies have claimed for refunds from the Council, given that the Council's and other authorities charging policies were based on a statutory fee, the Council is reclaiming any repayment from the government in due course.

MMI scheme of arrangement provision (£0.886m) – these amounts set aside to fund historic liabilities which were insured but are not fully funded by the insurance company.

Outstanding Legal Cases & Injury & Damage Compensation Claim Insurance provisions (£3.620m and £3.021m) – These provisions bear the risk of day to day losses as an alternative to providing insurance cover through external insurance companies. Losses over £250,000 are externally insured. The main areas provided for are:

2019-20 £000	**Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)**	**2020-21 £000**
-	Property	12
406	Other	9
5,996	Liability	6,295
220	Motor	325
6,622	**Total**	**6,641**

Business Rates Appeals (£8.112m) – The provision reflects the estimate of the amount of Business Rates to be repaid to ratepayers, following any future successful appeals against rateable values.

Note 21. Unusable Reserves

2019-20 £000		2020-21 £000
174,538	(a) Revaluation Reserve	175,350
146,601	(b) Capital Adjustment Account	148,854
(5,684)	(c) Financial Instruments Adjustment Account	(5,408)
(1,046,169)	(d) Pensions reserve	(1,254,620)
1,453	(e) Deferred capital receipts reserve	1,161
1,222	(f) Collection Fund Adjustment Account	(34,881)
(10,241)	(g) Accumulated Absences Account	(13,184)
(738,280)	**Total Unusable Reserves**	**(982,728)**

a) Revaluation Reserve

The Revaluation Reserve is a store of changes to the measurable value of assets compared to the cost of acquiring them. In 2020-21, the Reserve has increased from £174.5m to £175.4m, an increase of £0.8m.

2019-20 £000		2020-21 £000
183,996	**Balance at 1 April**	**174,538**
12,040	Upward revaluation of assets	12,121
(8,160)	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	(5,175)
-	Impairments not charged to the Surplus or deficit on the Provision of Services	-
3,880	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**6,946**
(3,617)	Difference between fair value depreciation and historical cost depreciation	(3,161)
(9,721)	Accumulated gains on assets sold or scrapped	(2,973)
(13,338)	**Amount written off to the Capital Adjustment Account**	**(6,134)**
174,538	**Balance at 31 March**	**175,350**

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

2019-20 £000		2020-21 £000
166,960	**Balance at 1 April**	**146,601**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(33,027)	- Charges for depreciation and impairment of non-current assets	(33,681)
(17,271)	- Revaluation losses on Property, Plant and Equipment	(6,878)
(254)	- Amortisation of Intangible Assets	(143)
(2,332)	- Revenue expenditure funded from capital under statute (REFCUS)	(2,213)
(31,457)	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(16,502)
13,338	- Adjusting amounts written out of the Revaluation Reserve	6,134
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
2,055	- Use of the Capital Receipts Reserve to finance new capital expenditure	2,980
	- Use of Capital Receipts Reserve to pay debt	2,097
18,667	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	26,533
10,431	- Application of grants to capital financing from the Capital Grants Unapplied Account	625
2,056	- Allocation of grants to capital financing from the Capital Grants Receipts in Advance Account	1,912

-	-	Donated assets and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
18,913	-	Statutory provision for the financing of capital investment charged against the General Fund	24,435
3,796	-	Capital expenditure charged against the General Fund balance	4,897
(5,274)	-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(7,943)
146,601		**Balance at 31 March**	**148,854**

c) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2019-20 £000		2020-21 £000
(5,958)	**Balance at 1 April**	**(5,684)**
	Premiums incurred in year	
256	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	257
18	Removal of Effective Interest Rate on stepped interest loans	19
274	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**276**
(5,684)	**Balance at 31 March**	**(5,408)**

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post- employment benefits and for funding benefits in accordance with statutory provisions. See Note 30 for full explanation.

2019-20 £000		2020-21 £000
(1,006,971)	**Balance at 1 April**	**(1,046,169)**
20,385	Remeasurement of net defined benefit liability	(146,967)
(108,266)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(109,607)
48,683	Employer's pensions contributions and direct payments to pensioners payable in the year	48,123
(1,046,169)	**Balance at 31 March**	**(1,254,620)**

e) Deferred Capital Receipts

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2019-20 £000		2020-21 £000
256	**Balance at 1 April**	**1,453**
1,198	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	-
(1)	Transfer to the Capital Receipts Reserve upon receipt of cash	(292)
1,453	**Balance at 31 March**	**1,161**

f) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2019-20 £000		2020-21 £000
1,153	**Balance at 1 April**	**1,222**
69	Amount by which council tax and business rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income calculated for the year in accordance with statutory requirements	(36,103)
1,222	**Balance at 31 March**	**(34,881)**

g) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g., annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the account.

2019-20 £000		2020-21 £000
(10,108)	**Balance at 1 April**	**(10,241)**
10,108	Settlement or cancellation of the accrual made at the end of the preceding year	10,241
(10,241)	Amounts accrued at the end of the current year	(13,184)
(133)	**Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement is different from remuneration chargeable in the year in accordance with statutory requirements**.	**(2,943)**
(10,241)	**Balance at 31 March**	**(13,184)**

Note 22. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2019-20		2020-21
£000		£000
602	Interest Received	310
(34,168)	Interest paid	(33,692)
627	Dividends Received	751

b) Investing Activities

The cash flows for investing activities include the following items:

2020-21		2021-22
£000		£000
(62,302)	Purchase of property, plant and equipment, investment property and intangible assets	(49,193)
(19,315)	Purchase of short term and long term investments	(172,199)
-	Other payments for investing activities	-
2,055	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,077
29,454	Proceeds from short term and long term investments	111,193
26,553	Other receipts from investing activities	51,284
(23,555)	**Net cash flows from investing activities**	**(53,838)**

c) Financing Activities

The cash flows for financing activities include the following items:

2019-20		2020-21
£000		£000
139,200	Cash receipts of short and long term borrowing	19,999
5,709	Other receipts from financing activities	-
4,516	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	(8,116)
(105,332)	Repayments of short and long term borrowing	(31,979)
768	Other payments for financing activities	(32,296)
44,861	**Net cash flows from financing activities**	**(52,392)**

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

2019-20	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow	2020-21
£000		**£000**
(75,455)	**Net deficit (-) / surplus for year on the Comprehensive Income and Expenditure Account**	**(39,294)**
	Add back non cash items:	
32,592	Depreciation & impairment	33,681
17,709	Impairment, revaluation gains and losses	6,878
254	Amortisation	143
59,583	IAS19 Pension adjustments	61,484
-	Donated Assets non-cash funding	-
	Items on accruals basis:	
28	(Increase) / decrease in inventories	(3,484)
(1,418)	(Increase) / decrease in amounts due from Council (debtors)	(16,113)
(11,300)	Increase / (decrease) in amounts due to Council (creditors)	86,667
30,259	Carrying amount of disposals	16,502
(4,771)	Movement in provisions	(8,780)
5,274	Other non-cash items charged to the net surplus or deficit on the provision of services	7,924
128,210	Removal of non-cash items included in Deficit/Surplus on Provision of services	***184,902***
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(22,790)	Capital Grants credited to surplus or deficit on the provision of services	(46,103)
(2,055)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(4,785)
(24,845)	**Sub-total items for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**(50,888)**
27,910	**Operating activities - net cash flow**	**94,720**

Note 23. 2020-21 Expenditure Funding Analysis

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

	Net expenditure for 2020-21 Outturn Statement £000	Reclassification for the CIES £000	Net Expenditure in the CIES £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure Chargeable to the General Fund £000
	A	B	C = A + B	D	E = C + D
Health and Wellbeing	115,096	5,667	120,763	(8,229)	**112,534**
Children's Services	95,684	7,385	103,070	(34,072)	**68,997**
Department of Place	106,609	17,777	124,386	(39,553)	**84,833**
Chief Executive	4,617	797	5,414	(592)	**4,822**
Corporate Resources	53,798	778	54,576	(7,606)	**46,969**
Non Service Budgets	(20,044)	29,021	8,977	2,988	**11,965**
Central Budgets	22,331	(1,399)	20,932	-	**20,932**
Net Cost of Services	**378,091**	**60,026**	**438,117**	**(87,064)**	**351,052**
Other Operating Expenditure	-	14,309	14,309	(11,764)	**2,545**
Financing and Investment income and expenditure	-	67,178	67,178	(33,626)	**33,552**
Taxation and non-specific grant income	(378,091)	(102,218)	(480,309)	3,091	**(477,218)**
Earmarked Reserves	-	-	-	49,522	**49,522**
Increase in School Delegated Balances	-	-	-	10,941	**10,941**
Statutory Provision for the financing of capital	-	-	-	24,435	**24,435**
Capital Expenditure charged against the General	-	-	-	4,897	**4,897**
Financial Instruments Adjustment Account	-	-	-	275	**275**
Surplus (-)/Deficit on Provision of Services				**(39,293)**	**(0)**
General Fund Balance brought forward					15,000
General Fund Balance carried forward					15,000

2019-20 Expenditure Funding Analysis

The Expenditure and Funding Analysis for 31 March 2020 is as follows:

	Net expenditure for 2019-20 Outturn Statement £000	Reclassification for the CIES £000	Net Expenditure in the CIES £000	Adjustments between Funding and Accounting Basis £000	Net Expenditure Chargeable to the General Fund £000
	A	B	C = A + B	D	E = C + D
Health and Wellbeing	119,256	(884)	118,372	(8,740)	109,632
Children's Services	110,717	(3,247)	107,470	(29,617)	77,853
Department of Place	113,931	(1,338)	112,593	(44,919)	67,674
Revenues & Benefits	3,687	272	3,959	(1,494)	2,465
Chief Executive	4,760	1	4,761	(611)	4,150
Corporate Resources (Excluding Revenues and Benefits)	51,711	172	51,883	(12,225)	39,658
Non Service Budgets	8,302	(5,040)	3,262	3,253	6,515
Central Budget & Net Transfers to Reserves	(51,696)	75,668	23,972	4	23,976
Net Cost of Services	**360,668**	**65,604**	**426,272**	**(94,349)**	**331,923**
Other Operating Expenditure	-	30,359	30,359	(28,154)	2,205
Financing and Investment income and expenditure	-	62,648	62,648	(28,928)	33,720
Taxation and non-specific grant income	(360,668)	(83,156)	(443,824)	22,860	(420,964)
Earmarked Reserves	-	-	-	25,486	25,486
Increase in School Delegated Balances	-	-	-	4,646	4,646
Statutory Provision for the financing of capital investment	-	-	-	18,914	18,914
Capital Expenditure charged against the General Fund	-	-	-	3,795	3,795
Financial Instruments Adjustment Account	-	-	-	275	275
Surplus (-)/Deficit on Provision of Services				**(75,455)**	**-**
General Fund Balance brought forward					15,000
General Fund Balance carried forward					15,000

2020-21 Analysis of Accounting Adjustments

	Earmarked Reserves £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other differences (Employee Accrual) £000	Other differences (Collection Fund & £000	Total adjustments £000
Health and Wellbeing	-	1,657	5,992	580	-	8,229
Childrens Services	-	15,863	17,480	729	-	34,072
Department of Place	-	29,395	9,299	859	-	39,553
Chief Executive	-	-	540	52	-	592
Corporate Resources	-	1,336	5,736	534	-	7,606
Non Service	-	1	(2,992)	2	-	(2,989)
Central Budget & Net Transfers to Reserves	-	-	-	-	-	-
Net Cost of Services	**-**	**48,252**	**36,055**	**2,756**	**-**	**87,063**
Other Operating Expenditure	-	11,764	-	-	-	11,764
Financing and Investment income and expenditure	-	8,010	25,430	186	-	33,626
Taxation and non-specific grant income	-	(39,194)	-	-	36,103	(3,091)
Earmarked Reserves	(49,522)	-	-	-	-	(49,522)
Increase in School Delegated Balances	(10,941)	-	-	-	-	(10,941)
Minimum Revenue Provision	-	(24,435)	-	-	-	(24,435)
Direct Revenue Financing	-	(4,897)	-	-	-	(4,897)
Financial Instrument Adjustment Account	-	-	-	-	(275)	(275)
Total Adjustments between accounting basis & funding basis under regulations	**(60,463)**	**(500)**	**61,485**	**2,941**	**35,828**	**39,293**

2019-20 Analysis of Accounting Adjustments

	Earmarked Reserves £000	Adjustments for Capital Purposes £000	Net change for the Pensions Adjustments £000	Other differences (Employee Accrual) £000	Other differences (Collection Fund & Financial Instruments) £000	Total adjustments £000
Health and Wellbeing	-	2,526	6,199	14	-	8,739
Childrens Services	-	16,187	13,241	188	-	29,616
Department of Place	-	34,078	10,868	(27)	-	44,919
Revenues & Benefits	-	34	1,472	(12)	-	1,494
Chief Executive	-	-	601	10	-	611
Corporate Resources (Excluding Revenues and Benefits)	-	5,393	6,866	(34)	-	12,225
Non Service	-	1	(3,252)	(1)	-	(3,252)
Central Budget & Net Transfers to Reserves	-	-	-	(4)	-	(4)
Net Cost of Services	**-**	**58,219**	**35,995**	**134**	**-**	**94,348**
Other Operating Expenditure	-	28,154	-	-	-	28,154
Financing and Investment income and expenditure	-	5,339	23,587	-	-	28,926
Taxation and non-specific grant income	-	(22,791)	-	-	(68)	(22,859)
Earmarked Reserves	(25,486)	-	-	-	-	(25,486)
Reduction in School Delegated Balances	(4,646)	-	-	-	-	(4,646)
Minimum Revenue Provision	-	(18,914)	-	-	-	(18,914)
Direct Revenue Financing	-	(3,795)	-	-	-	(3,795)
Financial Instrument Adjustment Account	-	-	-	-	(275)	(275)
Total Adjustments between accounting basis & funding basis under regulations	**(30,132)**	**46,212**	**59,582**	**134**	**(343)**	**75,453**

Note 24. Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2020-21 or 2019-20.

Note 25. Trading Services

Trading services are mainly activities of a commercial nature, which are financed substantially by charges made to recipients of the service. The tables below show the financial performance of trading services in 2020-21 and 2019-20:

Trading Services Surplus (-) / Deficit		
2019-20 Surplus (-) /Deficit £000		**2020-21 Surplus (-) /Deficit £000**
1,507	School & welfare catering	1,745
107	Other catering	1,259
1,731	Building cleaning	1,840
3,345	**Total**	**4,844**

Trading Services Included in Net Cost of Services		
2019-20 Surplus (-) /Deficit £000		**2020-21 Surplus (-) /Deficit £000**
(114)	Markets	821
(5,626)	Car parks	(2,283)
(161)	Trade refuse	(487)
(5,901)	**Total**	**(1,949)**

The services have been shown in the Comprehensive Income and Expenditure Statement. Those in the first table have been included in Financing & Investment Income and Expenditure (see note 8b). Traded Services in the second table have been included in the net cost of services, in the Comprehensive Income and Expenditure Statement.

Note 26. Agency Income and Expenditure

The Council provides payroll services to a number of external organisations, including Academy Schools and Colleges of Further Education. The payroll records for the external organisations do not form part of the Council's financial statements. However, the costs of administrating this service and the income received from the external organisations in return for the service are included in the Council's financial statements. In 2020-21, the Council received £0.548m income (£0.516m in 2019-20) from external organisations.

The Council also provides accountancy support to a number of external Trusts, which is provided free of charge.

Note 27. Road Charging Schemes

The Council did not undertake or operate any road charging schemes in 2020-21 or 2019-20.

Note 28. Pooled Budgets Arrangements Under Section 31 of the Health Act 1999, and Section 75 of the Health Act 2006

Better Care Fund

The Better Care Fund (BCF) is a programme spanning both the NHS and local government. It has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with "wraparound" fully integrated health and social care, resulting in an improved experience and better quality of life.

The BCF agreement has been set up under Section 75 of the NHS Act 2006. The total BCF and iBCF in 2019-20 was £60.649m. It is a pooled budget with Bradford City CCG, Bradford Districts CCG and part of Airedale, Wharfedale and Craven CCG.

	2019-20	2020-21
	£000	£000
Funding provided		
Bradford & Airedale Community Equipment	1,486	1,563
Care Bill Implementation support	1,417	1,417
Protect Social Services	16,326	17,371
Reablement	1,578	1,558
Carers	957	960
Capital Funding	4,527*	5,137
Total LA Better Care Fund	**26,291**	**28,006**
Better Care Fund	16,185	17,021
iBCF	22,700*	22,701
Total Better Care Fund funding	**65,176**	**67,728**

*= 2019-20 Capital Funding and iBCF figures have been adjusted to correct a transposition error in the 2019-20 Statement of Accounts

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

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

Note 29. Termination Benefits

In 2020-21 the Council incurred voluntary and compulsory redundancy costs of £0.258m (£0.701m in 2019-20) together with £0.363m (£1.2m in 2019-20) for early retirement pension costs. The costs relate to the Council's plans to reduce its expenditure to help to offset the impact of significant Government grant reductions.

Note 30. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme had 11,221 participating employers in 2019-20, including 173 local authorities, and, consequently, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total expected contributions into the Teachers' Pension Scheme during the year ending 31 March 2021, the Council's own contributions equate to approximately 0.22%.

In 2020-21, the Council paid £19.328m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2019-20 were £17.142m and 16.48% up to and including 31 August 2019 and 23.68% from 1 September 2019. There were contributions remaining payable at the year-end of £1.566m. The contributions due to be paid in the next financial year are estimated to be £18.500m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Pension Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.
The Council is not liable to the scheme for any other entities' obligations under the plan.

A number of Council employees are also members of the NHS Pension Scheme, administered by NHS Pensions on behalf of the Department for Health and Social Care (DoHSC). The Scheme provides the relevant employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department of Health uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

The scheme had 8,290 participating employers as at 31 March 2020, including 134 local authorities, and, consequently, the Council is not able to identify its share of the underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a

defined contribution scheme. As a proportion of the total expected contributions into the NHS Pension Scheme during the year ending 31 March 2021, the Council's own contributions equate to approximately 0.001%.

In 2020-21, the Council paid £0.139m to NHS Pensions in respect of the relevant employees' retirement benefits, representing 14.38% of pensionable pay, plus an additional £0.24m, representing 2.5% of pensionable pay. The figures for 2019-20 were £0.147m and 14.38%, plus an additional £0.26m and 2.5%. There were contributions remaining payable at the year-end of £0.011m. The contributions due to be paid in the next financial year are estimated to be £0.136m.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the NHS Pension Scheme. These costs are accounted for on a defined benefit basis and detailed in Note 31.

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

Note 31. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

b) The Local Government Pension Scheme, administered through a number of separate regional funds. The Council is a member of the West Yorkshire Pension Fund – this is a funded career average defined benefit scheme. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets, determined by the fund's professionally qualified actuary at 31 March 2019 for the three years 1 April 2020 to 31 March 2023. The contribution rates set by the actuary are intended to balance the fund's liabilities with the investment assets over the period. The employer contribution rate for the year 2020-21 in respect of Bradford members of the West Yorkshire Pension Fund was 17.1%.

c) Arrangements for the award of discretionary post-retirement benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The West Yorkshire Pension Fund pension scheme is operated under the regulatory framework for the Local Government Pension Scheme. City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF) with statutory responsibility for the management and administration of the Fund, has delegated legal and strategic responsibility for the WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Policy is determined in accordance with the Pensions Fund Regulations. The Fund's entire investment portfolio is managed on a day to day basis in-house, supported by the Fund's external advisers.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute, as described in the accounting policies note.

Discretionary Post-Retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax (i.e. the statutory amount charged against the General Fund balance) is based on the cash payable in the year (i.e. the total contribution paid by the Council under the pension regulations), so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total	
	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
· Current service cost*	83,523	80,049	-	-	-	-	83,523	80,049
· Past service costs	1,156	6,045	-	-	-	-	1,156	6,045
· Gain (-) / loss from settlements	-	-	-	-	-	-	-	-
Financing and Investment Income and Expenditure								
· Net interest expense	20,551	21,036	1,094	878	1,942	1,599	23,587	23,513
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**105,230**	**107,130**	**1,094**	**878**	**1,942**	**1,599**	**108,266**	**109,607**
Other Post-Employment Benefit Charged to the Comprehensive Income and Expenditure Statement								
Re-measurement of the net defined benefit liability comprising:								
· Return on plan assets (excluding the amount included in the net interest expense)	208,824	(382,712)	-	-	-	-	208,824	(382,712)
· Actuarial gains (-) and losses arising on changes in demographic assumptions	(102,956)	-	(3,208)	-	(5,140)	-	(111,304)	-
· Actuarial gains (-) and losses arising on changes in financial assumptions	(56,963)	572,512	(376)	2,750	(705)	5,162	(58,044)	580,424
· Actuarial gains (-) and losses due to liability experience	(56,352)	(49,190)	(1,610)	(550)	(1,899)	(1,005)	(59,861)	(50,745)
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**97,783**	**247,740**	**(4,100)**	**3,078**	**(5,802)**	**5,756**	**87,881**	**256,574**
Movement in Reserves Statement								
· Reversal of net charges made to the Surplus or Deficit for the Provision of Service for post-employment retirement benefits in accordance with the Code	(105,230)	(107,130)	(1,094)	(878)	(1,942)	(1,599)	(108,266)	(109,607)
Actual amount charged against the General Fund balance for pensions in the year:								
· Employers' contributions payable to the scheme	**39,725**	**39,310**	**-**	**-**	**-**	**-**	**39,725**	**39,310**
· Retirement benefits payable to pensioners	**-**	**-**	**3,320**	**3,269**	**5,638**	**5,544**	**8,958**	**8,813**

* The current service cost includes an allowance for the administration expenses of £1.046m in 2020-21 (£1.027m in 2019-20).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits		Total Per Balance sheet	
	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000
Present value of the defined benefit obligation	2,880,613	3,477,897	39,795	39,604	72,271	72,483	2,992,679	3,589,984
Fair value of plan assets	1,946,509	2,335,363	-	-	-	-	1,946,509	2,335,363
Impact of Minimum Funding Requirement / Asset Ceiling	-	-	-	-	-	-	-	-
Net liability arising from defined benefit obligation - Closing balance at 31 March	**934,104**	**1,142,534**	**39,795**	**39,604**	**72,271**	**72,483**	**1,046,170**	**1,254,621**

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

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits		Total	
	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2002-21 £000
Opening balance at 1 April	**2,139,364**	**1,946,509**	**-**	**-**	**-**	**-**	**2,139,364**	**1,946,509**
Interest income on assets	50,940	44,345	-	-	-	-	50,940	44,345
Re-measurement gains and losses (-) on assets	(208,824)	382,712	-	-	-	-	(208,824)	382,712
Contributions from employer	39,725	39,310	3,320	3,269	5,638	5,544	48,683	48,123
Contributions from employees into the scheme	13,853	14,489	-	-	-	-	13,853	14,489
Benefits paid*	(88,549)	(92,002)	(3,320)	(3,269)	(5,638)	(5,544)	(97,507)	(100,815)
Net increase in assets from disposals/acquisitions	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Closing balance at 31 March	**1,946,509**	**2,335,363**	**-**	**-**	**-**	**-**	**1,946,509**	**2,335,363**

* consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses.

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Local Government Pension Scheme Discretionary		Unfunded Liabilities: Teachers Voluntary Early Retirement Discretionary		Total	
	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000	2019-20 £000	2020-21 £000
Opening balance at 1 April	**3,015,410**	**2,880,613**	**47,215**	**39,795**	**83,711**	**72,271**	**3,146,336**	**2,992,679**
Current service cost	83,523	80,049	-	-	-	-	83,523	80,049
Interest cost	71,491	65,381	1,094	878	1,942	1,599	74,527	67,858
Contributions from scheme participants	13,853	14,489	-	-	-	-	13,853	14,489
Re-measurement gains (-) and losses:							-	-
Actuarial gains (-) and losses arising from changes in demographic assumptions	(102,956)	-	(3,208)	-	(5,140)	-	(111,304)	-
Actuarial gains (-) and losses arising from changes in financial assumptions	(56,963)	572,512	(376)	2,750	(705)	5,162	(58,044)	580,424
Actuarial gains (-) and losses due to liability experience	(56,352)	(49,190)	(1,610)	(550)	(1,899)	(1,005)	(59,861)	(50,745)
Past service costs	1,156	6,045	-	-	-	-	1,156	6,045
Benefits paid	(88,549)	(92,002)	(3,320)	(3,269)	(5,638)	(5,544)	(97,507)	(100,815)
Net increase in liabilities from disposals/acquisitions	-	-	-	-	-	-	-	-
Liabilities extinguished on settlements	-	-	-	-	-	-	-	-
Closing balance at 31 March	**2,880,613**	**3,477,897**	**39,795**	**39,604**	**72,271**	**72,483**	**2,992,679**	**3,589,984**

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

Active Members	38%
Deferred Pensioners	17%
Pensioners	45%

Local Government Pension Scheme Assets

Assets in the West Yorkshire Pension Fund are valued at fair value (principally, market value for investments). The following table shows the value of each category of asset and expresses it as a percentage of the total value.

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Asset Category	31st March 2020	31st March 2020	31st March 2021	31st March 2021	31st March 2021	31st March 2021	31st March 2021	31st March 2021
	Total £000	Total %	Quoted £000	Quoted %	Unquoted £000	Unquoted %	Total £000	Total %
Equity investments	1,508,544	77.5	1,627,748	69.7	233,536	10.0	1,861,284	80
Government bonds	186,865	9.6	193,835	8.3	-	-	193,835	8
Other bonds	99,272	5.1	107,427	4.6	-	-	107,427	5
Cash	36,984	1.9	-	-	46,707	2.0	46,707	2
Property	87,593	4.5	37,366	1.6	51,378	2.2	88,744	4
Other assets	27,251	1.4	-	-	37,366	1.6	37,366	2
Total	**1,946,509**	**100.0**	**1,966,376**	**84.2**	**368,987**	**15.8**	**2,335,363**	**100**

For a disaggregation of the fair value of the plan assets into classes that distinguish the nature and risks of those assets, please refer to:

- the West Yorkshire Pension Fund Financial Statements and Explanatory Notes in City of Bradford Metropolitan District Council's accounts, available at www.bradford.gov.uk
- the West Yorkshire Pension Fund Report and Accounts, available at www.wypf.org.uk

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon Hewitt Limited, an independent firm of actuaries, with estimates for the West Yorkshire Pension Fund being based on the latest full valuation of the scheme as at 31 March 2019. The significant assumptions used in the Actuary's assessments of assets and liabilities have been:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits		Teachers Voluntary Early Retirement Discretionary Benefits	
	31-Mar 2020	31-Mar 2021	31-Mar-20	31-Mar-21	31-Mar-20	31-Mar-21
Mortality Assumptions	years	years	years	years	years	years
Longevity at 65 for current pensioners (aged 65 at accounting date):						
Men	21.8	21.9	21.8	21.9	21.8	21.9
Women	24.6	24.7	24.6	24.7	24.6	24.7
Longevity at 65 for future pensioners (aged 45 at accounting date):						
Men	22.5	22.6	-	-	-	-
Women	25.7	25.8	-	-	-	-
Commutation i.e. take-up of option to convert annual pension into retirement lump sum Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.						
Financial assumptions	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Rate of CPI Inflation	2.0	2.7	2.0	2.7	2.0	2.7
Rate of increase in salaries	3.25	3.95	-	-	-	-
Rate of increase in pensions	2.0	2.7	2.0	2.7	2.0	2.7
Pension accounts revaluation rate	2.0	2.7	-	-	-	-
Discount rate	2.3	2.1	2.3	2.1	2.3	2.1

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in mortality/longevity, for example, assume that post-retirement mortality age rating increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Impact on the Defined Benefit Obligation in the Scheme

	Present Value of the Defined Benefit Obligation After Increase in Assumption £000	Change in Present Value of Defined Benefit Obligation %	Present Value of Defined Obligation Benefit After Decrease in Assumption £000	Change in Present Value of Defined Benefit Obligation %
Mortality/Longevity i.e. Post-retirement mortality age rating * - increase or decrease by 1 year	3,352,693	-3.6	3,606,579	3.7
Rate of increase in salaries - increase or decrease by 0.1%	3,484,853	0.2	3,470,941	-0.2
Rate of increase in pensions - increase or decrease by 0.1%	3,537,021	1.7	3,418,773	-1.7
Discount rate i.e. Rate for discounting scheme liabilities - increase or decrease by 0.1%	3,411,817	-1.9	3,547,455	2.0

* an increase by 1 year means that members are assumed to follow the mortality pattern for an individual that is 1 year older than them.

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 22 years from 1 April 2014. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2022 are £40.576m.

The total contributions expected to be made for the Local Government Pension Scheme Discretionary Benefits scheme and the Teachers Voluntary Early Retirement Discretionary Benefits scheme in the year to 31 March 2022 are £3.285m and £5.572m, respectively.

The weighted average duration of the funded defined benefit obligation for the Local Government Pension Scheme (LGPS) is 19.5 years at 31 March 2021 (19.5 years at 31 March 2020).

The weighted average duration of the unfunded defined benefit obligation for Local Government Pension Scheme (LGPS) Discretionary Benefits is 8.6 years at 31 March 2021 (8.6 years at 31 March 2020) & the weighted average duration of the unfunded defined benefit obligation for Teachers Voluntary Early Retirement Discretionary Benefits is 8.9 years at 31 March 2021 (8.9 years at 31 March 2020).

IAS 19 Valuation Uncertainty

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, continued to impact global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. Valuation of quoted and unquoted assets were materially impacted. The impact of Covid-19 has added additional uncertainty to the valuation of unquoted stock, which is challenging in normal times. Asset values are less certain as a result of increased volatility, changing domestic and industrial consumption, markets trending more favourably in the direction of digital, virtual and contactless business activities with green environmental focus.

In simple terms the impact of Covid-19 has continued to significantly impact on the number of transactions in the market up to 31 March 2021 and consequently the relevant observable data available upon which to base a valuation judgement. Specifically, with regard to pooled property funds, a material valuation uncertainty clause has been included in a number of valuation reports from fund managers due to the possible impact of Covid-19. Therefore, there is less certainty, and a higher degree of caution should be attached to our valuations of Level 3 assets than would normally be the case. There is a risk that current valuations may be under or over stated in the accounts.

Goodwin Judgement

The Goodwin judgement has been allowed for approximately in these figures as 0.2% of liabilities at the start of the period and this is shown in as a past service cost.

Note 32. Members' Allowances

The total cost to the Council in respect of Members' allowances in 2020-21 was £1.909m and £0.001m expenses (£1.927m and £0.014m expenses in 2019-20). Excluding Employers National Insurance contributions directly paid over to Central Government, the cost of Members Allowances in 2020-21 was £1.773m and £0.001m expenses (£1.787 and £0.014m expenses in 2019-20).

Note 33. Employees' Remuneration

Authorities are required to disclose information on employees' remuneration in excess of £50,000 per annum. Remuneration is defined in the regulations as:

- All amounts paid to or receivable by an employee
- Expense allowances chargeable to tax
- The estimated money value of any other benefits received by an employee otherwise than in cash

Number of Employees 2019-20	Employees Emoluments	Number of Employees 2020-21
149	£50,000 - £54,999	184
65	£55,000 - £59,999	95
49	£60,000 - £64,999	41
33	£65,000 - £69,999	45
33	£70,000 - £74,999	42
13	£75,000 - £79,999	24
15	£80,000 - £84,999	18
6	£85,000 - £89,999	8
3	£90,000 - £94,999	5
9	£95,000 - £99,999	7
7	£100,000 - £104,999	2
1	£105,000 - £109,999	4
1	£110,000 - £114,999	0
1	£115,000 - £119,999	0
0	£120,000 - £124,999	1
0	£125,000 - £129,999	0
0	£130,000 – £134,999	1
1	£135,000-£139,999	2
2	£140,000 - £144,999	0
0	£145,000 - £149,999	0
1	£150,000 –£154,999	0
0	£155,000-£159,999	1
0	£160,000 – £164,999	0
0	£165,000 - £169,999	0
0	£170,000 –£174,999	0
1	£175,000 - £179,999	0
390	**Total**	**480**

The above figures include 277 teachers (200 in 2020-21). The Employee Remuneration Note excludes Senior Officers salaries, which is shown in a separate note below.

The above table includes compensation payments for loss of employment.

Senior Officers Remuneration

A Senior Officer is defined as an employee whose salary is more than £150,000 per year, or one whose salary is at least £50,000 per year (to be calculated pro rata for a part-time employee) and who is either:

a) The designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
b) A person for whom the head of the authority's paid service is directly responsible,
c) The head of staff for a relevant body which does not have a designated head of paid service; or
d) Any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

2020-21 Senior Officers (excluding Employer Pension contributions)

Post Title	Salary including Fees & Allowances	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding Pensions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Chief Executive - Kersten England	194,628	-	-	441	195,069	33,281	228,350
Strategic Director Corporate Resources	147,459	-	-	-	147,459	25,215	172,674
City Solicitor	105,100	-	-	-	105,100	17,972	123,072
Director of Finance & IT	105,100	-	-	-	105,100	17,972	123,072
Director of Human Resources	105,100	-	-	-	105,100	17,972	123,072
Strategic Director Children's Services	143,336	-	-	-	143,336	24,510	167,846
Strategic Director Health & Wellbeing (1) to 16/08/20	55,495	-	-	-	55,495	-	55,495
Strategic Director Health & Wellbeing (2) from 17/08/20	91,963	-	-	-	91,963	15,726	107,689
Director of Public Health	94,785	-	-	-	94,785	14,833	109,618
Strategic Director Place to 30/11/20	98,306	-	-	-	98,306	16,810	115,116
Assistant Director - Office of the Chief Executive	67,105	-	-	-	67,105	15,775	82,880
Director West Yorkshire Pension Fund	111,231	-	-	-	111,231	19,020	130,251
Acting Assistant Director - Office of the Chief Executive from 29/06/20	73,233	-	-	-	73,233	12,523	85,756

2019-20 Senior Officers (excluding Employer Pension contributions)

Post Title	Salary including Fees & Allowances	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding Pensions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Chief Executive - Kersten England	189,419	-	-	-	189,419	33,148	222,567
Strategic Director Corporate Resources (and Acting Chief Executive 22/03/19 to 31/05/19)	146,113	-	-	-	146,113	25,570	171,683
City Solicitor	102,287	-	-	-	102,287	17,900	120,187
Director of Finance & IT from 17/06/19	80,693	-	-	-	80,693	14,121	94,814
Director of Human Resources	102,287	-	-	-	102,287	17,900	120,187
Strategic Director Children's Services from 01/07/19	103,622	-	-	-	103,622	18,134	121,756
Strategic Director Health & Wellbeing (1)	142,176	-	-	-	142,176	24,881	167,057
Director of Public Health	98,497	-	-	-	98,497	14,164	112,661
Strategic Director Place	142,176	-	-	-	142,176	24,881	167,057
Assistant Director - Office of the Chief Executive	87,513	-	-	-	87,513	15,315	102,828
Director West Yorkshire Pension Fund (restated due to a regrading approved in 2020/21 backdated to 01/04/19)	106,131	-	-	-	106,131	18,557	124,688

Election Duty Remuneration 2020-21

No elections were held in 2020-21. Comparative 2019-20 Senior Officers' Election Duty Remuneration.

Post Title and Holder	Salary	Pension	Total
	£	£	£
Chief Executive - Kersten England	16,849	2,948	19,797
Strategic Director Corporate	4,209	737	4,946
City Solicitor	10,027	1,755	11,782

Exit Packages

The total cost to the Council of exit packages includes compulsory and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

The exit packages are classified into compulsory redundancies and other departures.

Compulsory Redundancies				
Number of Exit Packages 2019-20	Cost to Council 2019-20	Cost Bandings	Number of Exit Packages 2020-21	Cost to Council 2020-21
	£			£
3	30,465	£0 - £19,999	6	61,182
1	39,773	£20,000 - £39,999	-	-
-	-	£40,000 - £59,999	-	-
1	62,323	£60,000 - £79,999	-	-
-	-	£80,000 - £99,999	-	-
-	-	£100,000 - £149,999	-	-
-	-	£150,000 - £199,999	-	-
-	-	£200,000 - £249,999	-	-
5	**132,561**	**Total**	**6**	**61,182**

Other Departures				
Number of Exit Packages 2019-20	Cost to Council 2019-20	Cost Bandings	Number of Exit Packages 2020-21	Cost to Council 2020-21
	£			£
54	404,494	£0 - £19,999	32	193,892
11	283,941	£20,000 - £39,999	3	80,179
6	282,264	£40,000 - £59,999	-	-
6	416,927	£60,000 - £79,999	-	-
5	438,852	£80,000 - £99,999	1	81,038
1	118,278	£100,000 - £149,999	-	-
-	-	£150,000 - £199,999	-	-
-	-	£200,000 - £249,999	-	-
83	**1,944,756**	**Total**	**36**	**355,109**

Note 34. Capital Charges and the Repayment of External Loans

Services have been charged or credited within the Comprehensive Income and Expenditure Statement for:

- The depreciation and impairment of non-current assets.
- Expenditure on Revenue Expenditure Funded from Capital under Statute (REFCUS).

These charges are not required by statute and have therefore been removed when calculating the Movement on the General Fund Balance.

The MRP for 2020-21 is £24.435m, (2019-20 £18.913m).

These changes are reflected in a transfer to or from the Capital Adjustment Account and are included in the Movement in Reserves Statement.

Capital Expenditure Charged to General Fund Balance

Authorities are allowed to finance capital expenditure through their revenue accounts. The expenditure of £4.897m in 2020-21 (£3.796m in 2019-20) is not shown in the Comprehensive Income and Expenditure Account but is charged to the General Fund and shown in the Movement in Reserves Statement.

Profit or Loss on the Disposal of Assets and Investments

Profits or losses arising on the disposal of assets are charged to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement. The loss on disposal of £11.705m in 2020-21 is made up of £16.502m from the de-recognition of assets and £4.797m in capital receipts. There was a loss on disposal in 2020-21 largely because of schools

that were de-recognised from assets when they converted to Academies. The Council does not receive capital receipts when schools convert to academies.

Although generally accepted accounting practice requires any profit or loss to be charged to the Comprehensive Income and Expenditure Statement, there is no statutory duty on local authorities to make such a charge. The charge is therefore removed when calculating the movements on the General Fund balance for the year.

Note 35. Leases

Council as Lessee

Finance Leases
The Council has a number of assets which have been acquired under finance leases. These include IT equipment and photocopiers.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2020 £000	Finance Leases as Lessee	31 March 2021 £000
-	Other land and Buildings	-
1,309	Vehicles, Plant, Furniture and Equipment	1,021
1,309	**Total**	**1,021**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2020 £000	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2021 £000
302	Current	271
908	Non-current	660
35	Finance costs payable in future years	24
1,245	**Total Minimum Lease Payments**	**955**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Not later than one year	316	282	302	271
Later than one year and not later than five years	929	673	908	660
Later than five years	0	0	0	0
	1,245	**955**	**1,210**	**931**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

No investment property held under operating leases have been classified as finance leases. However, should the economic reality be equivalent to the sale of investment property, these would be treated as finance leases.

Operating Leases

The Council has entered into a number of operating leases for buildings, vehicles, photocopiers and office equipment. The amount charged under these arrangements in the Comprehensive Income and Expenditure Statement during 2020-21 was £1.571m (£1.284m 2019-20).

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

31 March 2020 £000		31 March 2021 £000
819	Not later than one year	752
1,768	Later than one year and not later than five years	1,580
2,053	Later than five years	1,715
4,640	**Total**	**4,047**

Council as Lessor

Finance Leases

The Council has leased out one property for 125 years. The Academy school buildings that are on a 125-year lease are also treated as a finance lease.

The Council has gross investments in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long term debtor for the interest in the properties acquired by the lessees and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2020 £000	Finance lease debtor (net present value of minimum lease payments)	31 March 2021 £000
-	Current	-
210	Non-current	210
2,520	Unearned finance income	2,494
2,730	**Gross Investment in the Lease**	**2,704**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2020 £000	31 March 2021 £000	31 March 2020 £000	31 March 2021 £000
Not later than one year	26	26	26	26
Later than one year and not later than five years	105	105	105	105
Later than five years	2,599	2,573	2,599	2,573
Total	**2,730**	**2,704**	**2,730**	**2,704**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

The gross investment in the leases is assumed to be the same as the minimum lease payments because no residual value has been assumed for the lease at the end date.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres.
- for economic development purposes to provide suitable affordable accommodation for local businesses.
- one academy schools that are on short-term six year leases.

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

31 March 2020 £000		31 March 2021 £000
3,748	Not later than one year	2,918
9,846	Later than one year and not later than five years	6,934
60,766	Later than five years	55,958
74,360	**Total**	**65,810**

The minimum lease payments receivable does not include rents that are contingent on events after the lease was entered into, such as income based on a percentage of income receipts. In 2020-21 £0.414m contingent rents were receivable by the Council (2019-20 £0.450m).

Note 36. Private Finance Initiative (PFI)

BSF Phase 1 – Provision of three schools

The Council has a 25 year PFI contract for the building and maintenance of three schools under the Building Schools for the Future Phase 1 programme. The contract commenced in August 2008 and expires in August 2033. The Council has rights under the contract to specify the activities undertaken at each school, and the contract specific minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct and maintain the schools to a minimum acceptable condition and to procure and maintain the necessary plant and equipment needed to keep the schools operational. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration. The Council would have to pay the contractor substantial compensation if it terminated the contract early without due cause.

2019-20 £000	BSF Private Financing Initiative	2020-21 £000
	Charges to Net Cost of Services	
4,573	Unitary Payments to the Contractor for services provided	4,889
	Total charges to the revenue account	
	Net Operating Expenditure	
5,742	Interest element of finance lease payments	5,836
	Movement in Reserves Statement	
2,738	Capital element of finance lease	2,771
13,053	**Total PFI charges**	**13,496**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
4,389	Education	4,692
-	Council and Schools contribution	
13,394	**Total Financing**	**13,697**
341	**Transfer to BSF PFI Reserve**	**201**

The assets used to provide services at the schools are recognised on the Council's Balance Sheet, as regards one Community School. The other school assets are de-recognised because they are Academies. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 9.

The Council makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. The figures used to calculate PFI balances include indexation. Estimated cash payments remaining to be made under the PFI contract at 31 March 2021 are as follows:

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within 1 year	12,532	2,714	5,146	4,672
2-5	51,555	13,748	17,625	20,182
6-10	67,933	25,222	15,507	27,204
11-15	33,884	16,587	3,801	13,496
Total	**165,904**	**58,271**	**42,079**	**65,554**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, any capital expenditure incurred, and principal and interest payable to reduce the outstanding liability to the contractor. The liability outstanding to the contractor for capital expenditure incurred is as follows:

2019-20 £000	Analysis of Outstanding Liability for BSF Phase 1	2020-21 £000
63,780	**Balance outstanding at 31 March**	**61,042**
(2,738)	Payments during the year	(2,771)
61,042	**Balance outstanding at year end**	**58,271**

The closing value of assets held under the scheme at 31 March 2021 was £21.387m (£21.804m 31 March 2020) in respect of the BSF Phase 1 scheme.

The liabilities (i.e. the total principal repayments due over the life of the scheme) due on these assets at 31 March 2021 were £58.271m (£61.042m at 31 March 2020). The decrease of £2.771m is due to payments during the year.

BSF Phase 2

The Council entered into a contract for Phase 2 of the BSF programme in September 2009, ending 2035-36. This relates to the building and maintenance of four mainstream Secondary Schools and three co-located Special Needs Secondary Schools. Two of the sites were completed during March 2011 and the other two handed over during 2011-12. The Council controls these assets and they will transfer to the Council at no cost at the end of the contract.

2019-20 £000	BSF Private Financing Initiative	2020-21 £000
	Charges to the Revenue Account	
10,420	Unitary Payments to the Contractor for services provided	10,943
10,420	**Total charges to the revenue account**	**10,943**
	Net Operating Expenditure	
11,236	Interest element of finance lease payments	11,266
	Statement of Movement on the General Fund Balance	
4,984	Capital element of finance lease	4,970
26,640	**Total PFI charges**	**27,179**
	Financed By	
18,297	Government PFI Revenue Grant	18,297
8,628	Education	9,026
-	Council and Schools contribution	-
26,925	**Total Financing**	**27,323**
285	**Transfer to BSF PFI Reserve**	**144**

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

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	£000	£000	£000
Within 1 yr	26,157	5,220	10,859	10,078
2-5	107,422	22,234	42,088	43,100
6-10	141,118	31,730	47,875	61,513
11-15	148,289	36,544	39,462	72,283
16-20	-	-	-	-
Total	**422,986**	**95,728**	**140,284**	**186,974**

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

2019-20 £000	Analysis of Outstanding Liability for BSF Phase 2	2020-21 £000
105,682	**Balance outstanding at 31 March**	**100,698**
(4,984)	Payments during the year	(4,970)
-	Capital Expenditure incurred in the year	-
100,698	**Balance outstanding at year end**	**95,728**

The closing value of assets held under the scheme at 31 March 2021 was £24.307m (£24.698m 31 March 2020) in respect of the BSF Phase 2 scheme. The assets used to provide services at the schools are recognised on the Council's Balance Sheet, as regards one Foundation School and one Special School. The liabilities (i.e. the total principal repayments due over the life of the scheme) due on these assets at 31 March 2021 were £95.728m (£100.698m 31 March 2020).

The excess of the liabilities over the assets arises because schools are de-recognised when they convert from Community, Foundation or Special Schools to Academies on long leases or Trust status. This excess of the liabilities will be financed in future years by government grants. However, in line with accounting standards and the Code, these government grants are not shown on the Council's balance sheet.

The remaining BSF scheme assets total £45.694m, per Note 9 page 43 and the total liabilities are £153.999m. The total excess of liabilities over assets for BSF Phase 1 and 2 is £108.305m. This reduces the Council's Net Assets as shown in its Balance Sheet, on page 222, by £108.305m.

Note 37. Capital Expenditure and Financing

The Capital Financing Requirement is the outstanding nominal debt on historic borrowing to finance debt. The Capital Financing Requirement is shown below:

2019-20 £000		2020-21 £000
	Capital Expenditure and Capital Financing Requirement	
700,124	**Opening Capital Financing Requirement**	**710,701**
	Capital investment	
57,390	Property, Plant and Equipment	49,288
-	Aborted cost on prior year capital expenditure	-
6,555	Investment properties	33
218	Intangible Assets	10
-	Heritage Assets	-
-	Asset Held for Sale	-
16,456	Revenue Expenditure funded from Capital under statute	14,575
-	Capital loans	-
	Sources of Finance	
(2,055)	Capital Receipts Applied	(5,077)
(45,278)	Government grants and other contributions	(41,434)
(3,796)	Sums set aside from revenue	(4,897)
-	Donated assets	-
(4,524)	Repayment of Principal on PFI and Other Finance Leases	(4,685)
(19,304)	MRP/loans fund principal	(19,600)
5,072	Revision to estimated provision for amounts set aside	-
(157)	Payments of Principal on Long-Term Liabilities	(151)
710,701	**Closing Capital Financing Requirement**	**698,763**
	Explanation of movements in year	
9,690	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	(12,035)
887	Assets acquired under finance leases	97
	Assets acquired under PFI contracts	-
10,577	**Increase/ (decrease) in Capital Financing Requirement**	**(11,938)**

Note 38. Revenue Expenditure Funded From Capital Under Statute (REFCUS)

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

The cost of revenue expenditure funded from capital under statute (REFCUS) in the year was £14.575m (£16.456m in 2019-20). Grants of £12.363m funded this in year REFCUS expenditure (£14.123m in 2019-20), including £5.453m transferred from the Capital Grants Unapplied reserve (£5.350m in 2019-20).

Note 39. Other Long Term Liabilities

The total deferred liabilities at 31 March 2021 are £1,405.155m compared to a total of £1,205.044m at 31 March 2020. The main liability is in respect of the actuarially calculated pension liability which is £208.450m higher at 31 March 2021 when compared to 31 March 2020.

Other significant liabilities are:

a) PFI principal repayments due over the remaining life of the BSF Phase 1 and Phase 2 contracts. The total outstanding PFI liability as at 31 March 2021 was £153.999m (£161.704m at 31 March 2020), of which £146.065m is a deferred liability and £7.934m a creditor in respect of the 2019-20 principal repayment.

b) former West Yorkshire Waste Management Joint Committee debt. This is managed on the Council's behalf by Wakefield Metropolitan District Council. The deferred liability outstanding at 31 March 2021 was £3.331m (£3.469m at 31 March 2020).

The other deferred liabilities relate to finance leases. These comprise property and equipment leased by the Council where the real substance of the transaction is that the assets are bought on credit.

2019-20 £000	Other Long Term Liabilities	2020-21 £000
1,046,170	Pension Liability	1,254,620
	BSF	
58,271	Phase 1	55,557
95,728	Phase 2	90,508
3,469	Waste Management Joint Committee Debt	3,331
1,406	Other	1,139
1,205,044	**Total**	**1,405,155**

The combined liability shown on the Balance Sheet of PFI Phase 1 and Phase 2 is £153.999m. As with all the Long-Term liabilities and current liabilities, the liability of £153.999m impacts on the Balance Sheet by reducing the net assets of the authority. However, this liability is matched with a government grant for Phase 1 of £9.005m and £18.297m for Phase 2, totalling £27.301m, see Note 45, page 79. The Phase 1 grant will be paid until 2033 and the Phase 2 grant will be paid until 2036.

Note 40. Deferred Income

There was no deferred income in 2020-21.

Note 41. Related Party Transactions

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

Central Government has significant influence over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from government departments are set out in note 45.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020-21 is shown in note 32. Where members have an interest in companies or other organisations, details of such interests are recorded in the Register of Members' Interests which is open to public inspection.

During 2020-21, material transactions totalling approximately £1.566m net expenditure took place with such organisations. £1.690m of income from related parties (of which £0.124m is still outstanding) has been netted off £3.256m of expenditure on related parties (of which £0.052m is still outstanding).

Any contracts are entered into in full compliance with the Council's standing orders. Grants are made in line with proper consideration of declarations of interest. The members with declared interests take no part in any discussion or decision relating to grants made.

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

Other Public Bodies (subject to common control by central government) - The Council has a number of transactions with other public bodies including National Health Service bodies, other Councils and the Pension Fund. The following transactions are disclosed in other notes:
• Precepting authorities – Comprehensive Income and Expenditure Statement and Collection Fund
• Pension Fund – Notes 30 and 31
• Pooled Budgets – Note 28

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

The Council also pays a transport levy towards the services provided by the West Yorkshire Combined Authority. The amount paid in 2020-21 was £22.2m (£22.7m in 2019-20).

Bradford Council's Group
The Council does not have any interests in outside companies or organisations which are sufficiently material to require the production of group accounts in 2020-21.

Note 42. External Audit Costs

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

2019-20* £000	External Audit Costs	2020-21 £000
183	External audit services	143
9	Certification of grant claims and returns	9
63	West Yorkshire Pension Fund	62
-	Fees for other services	-
255	**Total**	**214**

*The figures for 2019-20 have been amended to include fee variations agreed after the 2019-20 accounts were finalised.

The audit fee for the West Yorkshire Pension Fund is included in Note 42 for completeness but also set out in the Pension Fund disclosure notes. It includes £23,000 in relation to work on assuring IAS19 accounting results, which is recharged by the WYPF to employer bodies.

Note 43. Dedicated Schools Grant (DSG)

The Council is allocated the Dedicated Schools Grant (DSG) from the Department for Education (DfE) in support of expenditure relating to the schools budget. The DSG must be allocated between Individual Schools budget (ISB) and the Central School Budget expenditure, and over or underspends on the two elements need to be shown separately. The DSG has been made under sections 14 of the Education Act 2002 and has been spent in accordance with regulations made under sections 45A, 45AA, 47, 48 (1) and (2) and 138 (7) of, and paragraph 1 (7) (b) of Schedule 14 to the School Standards Framework Act 1998 (England).

Bradford was allocated £564.4m for financial year 2020-21, see the table below:

Dedicated Schools Grant	Total	Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)
	2019-20 £000	**2019-20** £000	**2019-20** £000	**2020-21** £000	**2020-21** £000	**2020-21** £000
Final DSG before Academy Recoupment	536,462			564,427		
Academy Recoupment	(271,118)			(294,822)		
Total DSG after Academy Recoupment	**265,344**			**269,605**		
Plus DSG b/f from previous year	16,278			21,987		
DSG carry forward to following year agreed in advance	(11,270)			(20,685)		
Agreed Budget Distribution	**270,352**	**23,673**	**246,679**	**270,907**	**26,837**	**244,070**
In Year Adjustments	(78)		(78)	(759)	-	(759)
Final Budgeted Distribution	**270,274**	**23,673**	**246,601**	**270,148**	**26,837**	**243,311**
Less Actual ISB deployed to schools	238,668	-	238,668	238,288	-	238,288
Less Actual Central Expenditure	20,889	20,889	-	24,995	24,995	-
Carry Forward	**10,717**	**2,784**	**7,933**	**6,865**	**1,842**	**5,023**
Carry Forward agreed in Advance	11,270	-	11,270	20,685	2,784	17,901
Total Carry Forward	**21,987**	**2,784**	**19,203**	**27,550**	**4,626**	**22,924**

* The DSG after Academy Recoupment of £269.605m is the same as is shown in the grants Note 45.

The school is in compliance against the School Finance England Regulations 2018.

Note 44. Contingent Liabilities and Assets

This note summarises potential contingent losses in relation to certain outstanding matters which cannot be estimated accurately or considered sufficiently certain. Contingent liabilities are not accrued in the accounting statements.

Employment Tribunal

An Employment Appeal Tribunal (November 2014) ruled that holiday pay should include non-guaranteed overtime which may have implications for the Council where our employees are required to work overtime as a regular part of their job. Any backdating of claims is limited. A limited liability may therefore arise, although it is not thought likely that the impact will be significant.

Municipal Mutual Insurance Limited (MMI Ltd)

Prior to 1992, the Council's public liability and employers' liability insurance were supplied by MMI Ltd. In 1992 the company ceased to accept new business and entered a run off period. In 1994, a Scheme of Arrangement under the Companies Act 1985 was put in place, under which if the company became at risk of insolvency, it would be able to claw back the necessary percentage of the claims it had paid out since the commencement of the Scheme of Agreement. A court ruling in relation to employers' liability for occupational disease claims such as asbestosis has adversely affected the financial position of MMI Ltd to the extent that the Scheme of Arrangement has been triggered. The initial levy rate has been set at 15%. An additional levy was triggered for a further 10% on 1 April 2018, for which a provision was set aside as at 31 March 2019 (Please see Provisions, Note 20).

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

Search Fees

A group of Personal Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The Council agreed to settle and some costs have been previously settled. It is possible that additional claimants may come forward to submit claims for refunds. An amount of £0.1m is set aside within provisions for refund of search fees (Please also see Provisions, Note 20).

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

Compensation Claim

There is a potential contingent liability for schools that convert to an academy where there are historic school deficit balances and whose responsibility they will be if a school converts to an academy. There are a number of schools that could be affected although the Council will look to actions to reduce its exposure to financial loss.

In the event that the Council has to fund historic deficits, there may be a future cost potentially over £4million: however, the Council would seek central government funding for this.

Note 45. Grant Income

The revenue government grants shown in the tables below represent the accrued amount received by the Council.

The Council credited the following grants, and donations, to the Comprehensive Income and Expenditure Statement in 2020-21:

Grant Income	2019-20 * £000	2020-21 £000
Credited to Net cost of Services		
Dedicated Schools Grant (DSG)	265,344	269,605
Rent Allowance Subsidy	126,409	117,954
Public Health	40,722	42,298
Pupil Premium	14,279	13,636
PFI Revenue Support	27,301	27,301
Education and Schools	27,077	29,473
Social Care Support	3,924	15,185
NHS Adult Social Care**	22,701	22,701
Revenue Expenditure Funded from Capital under Statute (REFCUS)	8,773	6,910
Other Grants under £5,000k***	19,839	20,973
Total*	**556,369**	**566,035**
Covid 19 Grants Credited to Net Cost of Services		
Contain Management Outbreak Fund (including Test and Trace)	-	17,742
Infection Control Grant	-	10,043
Discretionary Business Grants	-	6,842
Other Covid Grants Under £5,000k		18,873
Total Covid Grants credited to Cost of Service	**-**	**53,500**
Total Grants Credited to Cost of Service	**556,369**	**619,535**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	-	34,609
Top Up Grant	67,062	69,269
New Homes Bonus Grant	4,887	852
Small Business Rates and other Section 31 grants including National Levy surplus	38,684	4,118
Local Services Support Grant	839	27,853
Covid 19 Support Grant*	15,757	38,563
Income Compensation Scheme	-	12,973
75% Tax Income Guarantee Compensation	-	5,852
Council Tax Hardship Grant	-	7,142
Total	**127,229**	**201,231**

* Covid 19 Support Grant was incorrectly shown in the 'credited to service' line, in the 2019-20 statement. This did not impact on the CIES and effected the presentation of this note only. Due to the materiality of the Covid Support Grant this is now being shown on a separate line rather than included within the Section 31 grants.
** Figure in 2019/20 amended to represent iBCF only, BCF is not considered a grant payment, it is considered a payment for services provided.
*** Winter Pressures grant £2.296m previously included in Independent Living Fund, moved to iBCF.

Covid Business Grants where Council Acts as Agent	2019-20 * £000	2020-21 £000
Government Grants for Businesses	-	125,027
Local Restriction Tier 2 (closed) and Closed Addendum	-	25,645
Closed Business Lockdown Payments	-	18,848
Other Covid Grants under £5,000k		4,354
Total Covid Grants where Council is Agent	**-**	**173,874**

The Council has acted as an agent for a number of Business Grants during 2020-21, these are not included in the Comprehensive Income and Expenditure.

Capital Grants Receipts in Advance
The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances shown below are included in the Balance Sheet in Capital Grants Receipts in Advance under Long Term Liabilities and the amounts at year end are as follows:

	2019-20 £000	2020-21 £000
Capital Grants Receipts in Advance		
Developer's contributions	15,374	15,571
Total (See Balance Sheet)	**15,374**	**15,571**

Note 46. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals. The Code distinguishes between impairment loss – which represents the consumption of economic benefit specific to an asset – and revaluation loss – which represent a general decrease in prices. These disclosures are consolidated in Note 9 and Note 14.

There were no impairment losses during the year.

Note 47. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Council. Non exchange transactions such as those relating to taxes and government grants, do not give rise to financial instruments.

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

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

	Long-term		Current	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000
Financial assets held at amortised costs				
Investments (Principal amount)	-	-	18,995	80,000
Investments Accrued Interest	-	-	58	6
Cash & Cash Equivalents	-	-	96,361	82,570
Equity Investments	1	1	-	-
Long term Debtors	1,924	1,897	-	292
Debtors	-	-	46,527	40,520
Total Financial Assets	**1,925**	**1,898**	**161,941**	**203,388**
Financial liabilities held at amortised cost				
Loans (Principal amount)	340,028	334,339	17,663	9,070
Accrued Interest	-	-	3,496	3,453
PFI and finance lease liabilities	154,907	146,725	8,043	8,205
Current Creditors	-	-	40,343	45,968
Total Financial Liabilities	**494,935**	**481,064**	**69,545**	**66,696**

Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair value of Financial Instruments

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the net present value of the cash flows that take place over the remaining life of the instruments (all Level 2) which provides an estimate of the value of payments in the future in today's terms. The calculations have been made using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. We have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- For Lender's Option Borrower's Option" (LOBO) loans prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.
- Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

2019-20 Carrying amount	2019-20 Fair value	Fair value of liabilities carried at amortised cost at 31 March	2020-21 Carrying amount	2020-21 Fair value
£000	£000		£000	£000
299,667	373,332	PWLB Loans	297,849	387,966
37,810	54,922	LOBO's	37,792	57,362
10,400	10,400	Other loans	400	400
3,496	3,496	Short term borrow ing	3,453	3,453
5,696	5,696	Cash overdraw n	3,413	3,413
3,766	5,476	Other local authorities re joint services	3,616	5,499
352	352	Other	339	339
162,950	162,950	PFI and finance lease liabilities	154,930	154,930
40,343	40,343	Financial liabilities at contracted amounts	45,968	45,968
564,480	**656,967**	**Total Liabilities**	**547,760**	**659,330**

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

The Council has determined that for PFI scheme and finance lease liabilities the carrying value represents the best estimate of fair value, as the carrying value is based on the effective interest rate of the contract, which reflects the unique risks associated with the contract.

An alternative valuation technique for PWLB loans is where the value is calculated to be equivalent to the cost of the early repayment of outstanding PWLB debt. But if the Council were to seek to repay the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging an additional premium for the additional interest that will not now be paid. If this method of valuation had been used in 2020-21 the fair value would be calculated as £446.048m.

2019-20 Carrying amount	2019-20 Fair value	Fair value of assets carried at amortised cost at 31 March	2020-21 Carrying amount	2020-21 Fair value
£000	£000		£000	£000
19,050	19,050	Investments	80,005	80,005
96,364	96,364	Investments – cash and cash equivalents	82,571	82,571
1	1	Equity Investments -Integrated Bradford Local Education Partnership (LEP) Ltd	1	1
1,924	1,924	Debtors – loans and receivables	2,189	2,189
46,527	46,527	Financial assets at contracted amounts	40,520	40,520
163,866	**163,866**	**Total Financial Assets**	**205,286**	**205,286**

The fair values of financial assets have been determined by reference to similar practices, as above, which provide a reasonable approximation for the fair value of a financial instrument and include accrued interest. The comparator market rates prevailing has been taken from indicative investment rates at each balance sheet date. In practice, rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures and the difference is likely to be immaterial.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

The Council's debtors incorporate a credit loss provision. The credit loss provision is estimated on the basis of the age of the outstanding debt, combined with specific knowledge indicating the likelihood of payment.

The Council defines default, as when a debtor is unable to pay or looks likely to be unable to pay in the future. Credit losses have been estimated on a case by case basis. However, in the initial review, debtors are assessed by age. Credit-impaired financial assets are reviewed against a prospective credit loss model.

Gains and losses on financial instruments
The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows.

2019-20 £000	Recognised gains and losses	2020-21 £000
	Financial assets: measured at amortised cost	
(1,294)	Interest income	(1,011)
(1,294)	**Total income in surplus or deficit on the provision of services**	**(1,011)**
	Financial Liabilities measured at amortised cost	
17,158	Interest payable	16,511
17,010	Interest Payable on PFI and Finance leases	17,119
34,168	**Total expense in surplus or deficit on the provision of services**	**33,630**

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:-

a. Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.
b. Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
c. Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movement.

Overall procedures for managing risks

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. In July 2003 the Council fully adopted the CIPFA Code of Treasury Management Practices. Each year the Director of Finance & IT presents to the Governance and Audit Committee an Annual Treasury Management Report which covers the Council's current treasury position, borrowing and investment strategies and performance and debt rescheduling.

The annual Treasury Management Strategy which incorporates prudential indicators was reviewed by Governance & Audit Committee on 25 June 2020 and approved by Council on 12 December 2020 and is available on the Council's website. Actual performance is also reported after each year.

a. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

It is the policy of the Council set out in the Annual Investment Strategy to place deposits only with a limited number of banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits and maturities with banks and building societies depending on an institution's (such as Moody's or Fitch's) credit rating.

The credit criteria in respect of financial assets held by the Council are as detailed below.

Investment limits

The financial investment limits with the Government, Banks or Building Societies are linked to Moody's, Fitch and Standard and Poors (S&P) ratings, as follows: -

1. The Government through debt management office including deposits, treasury bills and bank government guarantee certificate of deposits – Maximum Investment with any one counter party – no limit.
2. Local Authorities: Maximum Investment with any one counter party – £20 million.
3. Money Market funds including government funds with a Moody's, S&P or Fitch rating of AA: Maximum Investment with any one counter party – £20 million.
4. Any other Bank or Building Society with credit criteria of Moody's rating Aa3 or better, Fitch short term rating of at least F1 and a S&P short term rating of A1 or better: Maximum Investment with any one counter party – £30million.
5. Any Bank or Building Society with credit criteria of Moody's rating A1 or better, Fitch short term of at least F1 and a S & P short term rating of A-1or better: Maximum Investment with any one counter party – £20million.
6. Lower limit with any bank or building society with at least one of the following; Moody rating of A3 or better, Fitch rating of at least F1, S&P rating of A-1 or better: Maximum Investment with any one counter party – £7million.
7. National Westminster Bank – temporary no maximum limit due to the coronavirus.

The full Investment Strategy for 2020-21 was approved by Full Council on 19 March 2020 and is available on the Council's website.

Amounts arising from expected credit losses

The Council defines default, as when a debtor is unable to pay or looks likely to be unable to pay in the future. Credit losses have been estimated on a case by case basis. However, in the initial review, debtors are assessed by age. Credit-impaired financial assets are reviewed against a prospective credit loss model.

At the year end the Council held investments of £133.3m, made up of £80.0m Investments and £53.3m Cash and Cash Equivalents. The Council's maximum exposure to credit risk in relation to the above balances cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution.

A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at 31 March 2021 that any losses were likely to crystallise. The Council has not suffered any historical experience of default on any deposits with financial institutions, and does not expect to suffer any defaults on any of its existing deposits and therefore there is no requirement for any impairment of financial assets to be made.

We have assessed the Council's short term and long term investments and concluded that the expected credit loss is not material therefore no allowance has been made. The historical experience of default is 0.005% and the estimated expected credit loss £5,450, see table below.

	31 March 2021 Principal £000	Lowest Credit rating	Historical experience of default %	Estimated maximum exposure to default £000
DBS Bank	2,000	AA-	0.002%	0.033
DBS Bank	2,000	AA-	0.002%	0.033
DBS Bank	2,000	AA-	0.011%	0.226
DBS Bank	2,000	AA-	0.005%	0.110
DBS Bank	7,500	AA-	0.017%	1.249
DBS Bank	2,000	AA-	0.004%	0.071
DBS Bank	2,500	AA-	0.011%	0.282
Nordea Bank	10,000	AA-	0.017%	1.691
Landesbank Hessen	5,000	A	0.007%	0.362
Landesbank Hessen	3,000	A	0.003%	0.101
Landesbank Hessen	3,000	A	0.007%	0.217
Handlesbanken	6,100	AA-	0.005%	0.335
Handlesbanken	3,400	AA-	0.005%	0.178
Handlesbanken	7,000	AA-	0.007%	0.523
DMO	7,000	AA-	0.005%	-
DMO	6,000	AA-	0.003%	-
DMO	3,500	AA-	0.002%	-
DMO	10,000	AA-	0.001%	-
DMO	10,000	AA-	0.002%	-
Santander UK Plc	20,000	A	0.000%	0.026
National Westminster Bank Plc	10,000	A	0.000%	0.013
Federated LF	9,300	AAAm	-	-
Investments Principals	**133,300**	**-**	**0.005%**	**5.450**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Customers for goods and services are assessed, dependent on materiality, taking into account their financial position, past experience and other factors as appropriate. An impairment provision has been included in the accounts, to take account of the risk of non-payment (see note 18). As at 31 March 2021, the Council had a balance owing from its customers (mainly service and rent) of £40.520m (£46.527m 31 March 2020). The exposure to default has been assessed and is reflected in an impairment provision of £9.205m.

b. Liquidity Risk

The Council manages its liquidity position through the risk management procedures above and through a comprehensive cash flow management system. This seeks to ensure cash is available when needed.

If unexpected movements occur, the Council has ready access to a facility to borrow from the Public Works Loans Board to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year and 40**%** within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The following is an analysis of amounts owed to lenders at the year-end.

31 March 2020 £000	Total Borrowing	31 March 2021 £000
	Source of loan and interest rate range :	
299,667	Public Works Loan Board (3.7% to 10%)	297,849
37,810	Commercial Banks (3.2% to 4.5%)	37,793
10,400	Other	400
347,877	**Total**	**336,042**
	Analysis of loans:	
11,816	Maturing in less than 1year	5,511
11,816	**Total Short Term Borrowing**	**5,511**
	Long Term Borrowing	
37,231	Maturing in 2 - 5 years	38,204
59,264	Maturing in 5 - 10 years	59,296
53,456	Maturing in 10 - 15 years	56,938
186,110	Maturing in more than 15 years	176,093
336,061	**Total Long Term Borrowing**	**330,531**
347,877	**Total Borrowing**	**336,042**

The total borrowing shown on the Balance Sheet, of £339.495m, calculated by adding together short term (£8.964m) and long-term borrowing (£330.531m), includes accrued interest of £3.453m, per accounting regulations. Accrued interest is not included in the above table.

All trade and other payables are due to be paid in less than one year and are not shown in the table above.

c. Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

The current interest rate risk for the Council is summarised below:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on the revenue balances);
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

According to this investment strategy, if interest rates had been 1% higher at 31 March 2021 with all other variables held constant, the financial effect would be:

31 March 2019 £000	Effect of 1% increase in interest rates	31 March 2020 £000
-	Increase in interest payable on variable rate borrowings	-
(406)	Increase in interest receivable on variable rate investments	(1,085)
-	Increase in government grant receivable for financing costs	-
(406)	**Impact on Surplus or Deficit on the Provision of Services**	**(1,085)**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The Council does not have any borrowings at a variable rate.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price Risk

The Council does not generally invest in equity shares and does not have any material shareholdings in joint ventures or local companies, and it is not therefore subject to price risk.

Foreign Exchange Risk

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

Note 48. Trust Funds and Custodial Money

The Director of Finance acts as treasurer to 21 funds (inclusive of 13 sole trustee charities), held in trust for such purposes as maintenance grants, travel scholarships and book prizes, or for the benefit and care of particular client groups. The fund balances are invested in managed funds, local authority bonds and gilt edged securities and deposit accounts.

£20,904 (£18,059 at 31 March 2020) is also held on behalf of clients who are in residential care. The assets shown below are not owned by the Council and are not included in the Balance Sheet.

Balance at 31st March 2020	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2020-21	Income 2020-21	Balance at 31st March 2021
£000		£000	£000	£000
659	The Charles Semon Educational Foundation		12	671
946	Bradford area	(32)	16	930
524	Keighley area	(2)	18	540
6	Housing charities	(2)	-	4
345	Charities for the Blind	-	9	354
2,480	**Total Trust Funds and Custodial Money Balances**	**(36)**	**55**	**2,499**

For those Trust Funds where the Council acts as sole trustee and which at 31 March 2021 had net assets of over £50,000, further details regarding the purpose of the charity and its financial performance are set out below.

Trust Fund and Charity Registration Number	Purpose	Net increase/ - decrease in funds in 2020-21	Balance at 31st March 2021
		£000	£000
The Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	12	671
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	17	527
Royd House Trust Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	5	157
The Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2	225
Little Moor Park (otherwise Foster Park) Queensbury (519426)	Maintenance of Public Park & Recreation Ground for the benefit and use of Queensbury and the general public	2	68
Bingley Educational Trust	Sale of Land - Money used for Grant Giving	-	224
Wibsey Park Lodge	Sale of Land - Money used for Grant Giving	(27)	120

There is a statutory requirement for billing authorities to maintain a separate Collection Fund showing the transactions in respect of Council Tax and Business Rates and the way in which these have been distributed to preceptors, central government and the General Fund. Although a separate Income and Expenditure Account is required, the Collection Fund balances are consolidated into the Council's Balance Sheet. Any deficit or surplus at year end that is due to or from the Council is included in the Comprehensive Income and Expenditure Statement. Any amounts due to or from precepting bodies at year-end will not be included in the Collection Fund, but will be included in debtors and/or creditors as appropriate.

Original 2019/20 Figues			Restated 2019/20 Figures*							
2019-20 £000 Council Tax	2019-20 £000 Business Rates	2019-20 £000 Total	2019-20 £000 Council Tax	2019-20 £000 Business Rates	2019-20 £000 Total	Collection Fund Statement	2020-21 £000 Council Tax	2020-21 £000 Business Rates	2020-21 £000 Total	Note
						Income				
(236,534)	-	(236,534)	(238,732)	-	(238,732)	Due from Council Tax payers	(246,113)	-	(246,113)	Note 1
6	-	6	-	-	-	Due in respect of Council Tax benefits	-	-	-	
-	(141,101)	(141,101)	-	(139,082)	(139,082)	Due from Business Rate payers	-	(76,875)	(76,875)	Note 2
(236,528)	**(141,101)**	**(377,629)**	**(238,732)**	**(139,082)**	**(377,814)**	**Total Income**	**(246,113)**	**(76,875)**	**(322,988)**	
						Expenditure				
						Precepts:				
195,251	-	195,251	197,455	-	197,455	Bradford Council	208,656	-	208,656	
9,185	-	9,185	9,185	-	9,185	West Yorkshire Fire and Rescue Authority	9,508	-	9,508	
26,584		26,584	26,584		26,584	Police & Crime Commissioner for West Yorkshire	28,333	-	28,333	
						Business Rates:				
-	31,176	31,176	-	31,176	31,176	Payment to Central Government	-	66,922	66,922	
-	1,288	1,288	-	1,288	1,288	Payment to West Yorkshire Fire and Rescue Authority	-	1,338	1,338	
-	96,316	96,316	-	96,316	96,316	Payment to Bradford Council	-	65,584	65,584	
-	728	728	-	728	728	Costs of Collection	-	720	720	
-	1,621	1,621	-	1,621	1,621	Transitional Protection Payments	-	2,740	2,740	
3,188	2,118	5,306	-	-	-	Write-offs of Uncollectable Amounts	-	-	-	
-	1,009	1,009	-	-	-	Settlement of Appeals	-	-	-	
2,588	2,415	5,003	5,776	4,533	10,309	Contribution to / from (-) Provision for Losses on Bad & Doubtful Debts	5,567	5,133	10,700	Note 3
-	2,698	2,698	-	1,688	1,688	Contribution to / from (-) Provision for Losses on Appeals	-	(5,710)	(5,710)	Note 4
						Distribution of Collection Fund Surplus/Repayment of Deficit:				
(33)	-	(33)	(33)	-	(33)	Bradford Council	980	768	1,748	
(2)	-	(2)	(2)	-	(2)	West Yorkshire Fire and Rescue Authority	46	9	55	
(4)	-	(4)	(4)	-	(4)	Police & Crime Commissioner for West Yorkshire	133	-	133	
-	-	-	-	-	-	Central Government	-	79	79	
236,757	**139,369**	**376,126**	**238,961**	**137,350**	**376,311**	**Total Expenditure**	**253,223**	**137,583**	**390,807**	
229	**(1,732)**	**(1,503)**	**229**	**(1,732)**	**(1,503)**	**Net movement (surplus (-)/deficit) in the fund balance**	**7,110**	**60,708**	**67,818**	Note 5
						Movements on the Collection Fund Balance				
(73)	**88**	**15**	**(73)**	**88**	**15**	**Balance at beginning of year**	**155**	**(1,644)**	**(1,489)**	
193	(1,089)	(896)	193	(1,282)	(1,089)	Bradford's share of surplus (-) /deficit for the year	6,007	29,747	35,754	Note 5
35	1	36	35	(17)	18	Preceptors' share of surplus (-) /deficit for the year	1,103	607	1,710	Note 5
-	1,176	1,176	-	(433)	(433)	Central Government's share of surplus (-) /deficit for the year	-	30,354	30,354	Note 5
155	**176**	**331**	**155**	**(1,644)**	**(1,489)**	**Balance at end of year**	**7,265**	**59,064**	**66,329**	
						Allocated to:				
131	(1,351)	(1,220)	131	(1,351)	(1,220)	Bradford Council	6,138	28,744	34,882	
18	(17)	1	18	(17)	1	West Yorkshire Fire and Rescue Authority	286	591	877	
6	-	6	6	-	6	Police & Crime Commissioner for West Yorkshire	841	-	841	
-	(276)	(276)	-	(276)	(276)	Central Government	-	29,729	29,729	
155	**(1,644)**	**(1,489)**	**155**	**(1,644)**	**(1,489)**	**Total Allocation**	**7,265**	**59,064**	**66,329**	

* 2019/20 Collection Fund figures have been restated due to presentational issues.

Note 1. Council Tax

Council Tax income is generated from charges raised on residential properties. Each domestic property is assigned to one of eight bands A-H depending on its capital value. (Band A* properties are properties in Band A entitled to disabled relief reduction). Properties in higher bands are charged more, although the charges may be reduced by Council Tax reduction and/or single occupier discount.

Properties in the middle band, D, were charged at £1690.01 in 2020-21 (£1,624.61 in 2019-20) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

The Council Tax base for 2020-21 was 144,351 (142,200 in 2019-20). The tax base for 2020-21 was approved at the Executive meeting on 7 January 2020 and was calculated as follows:

2019-20 Band D Equivalent		Band	2020-21 Number of chargeable dwellings	Multiplier	2020-21 Band D Equivalent
95.2		A*	112	5/9	62
62,381		A	63,199	6/9	42,133
37,273		B	37,538	7/9	29,196
34,186		C	34,540	8/9	30,702
16,119		D	16,349	9/9	16,349
11,642		E	11,799	11/9	14,421
5,545		F	5,616	13/9	8,112
3,452		G	3,494	15/9	5,823
247		H	249	18/9	498
145,621	Total Band D equivalent				147,297
-3,421	Adjustment for estimated losses on collection				-2,946
142,200	**Council Tax Base**				**144,351**

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

The Council collects business rates on behalf of central government for its area. The rate in the pound of rateable value is set by central government. There are two multipliers: the small business non-domestic rating multiplier of 49.9p (49.1p in 2019-20) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 51.2p (50.4p in 2019-20) includes the supplement to pay for small business relief.

In 2013-14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the district. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain 49% of the total Business Rates received. Of the remainder, 50% is paid to Central Government and 1% is paid to West Yorkshire Fire and Rescue Authority (WYFRA).

The business rates share payable for 2020-21 were estimated before the start of the financial year as £1.338m to WYFRA and £65.584m to Bradford Council. These sums have been paid in 2019-20 and charged to the Collection Fund in year.

The total income from business rate payers collected in 2020-21 was £76.875m (£139.082m in 2019-20). This sum includes £2.740m (£1.621m in 2019-20) of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government.

The business rates income, after reliefs and provisions, was based on a total rateable value for the Council's area of £386,188,439 for 2020-21 (£391,114,254 for 2019-20).

Note 3. Provision for Council Tax and Business Bad Debts

In 2020-21, the provision for Council Tax bad debts increased from £16.438m to £16.458m. The net movement of £0.02m represents amounts charged against the provision of £5.547m for outstanding arrears that are irrecoverable and an increase in the provision during the year of £5.568m. Of the final balance, 84.5% is to cover Council Tax owed to the Council. The remaining 15.5% is to cover amounts owed to major preceptors.

In 2020-21, the provision for Business Rates bad debts increased from £2.39m to £7.173m. The net movement of £4.783m represents amounts charged against the provision of £0.349m for outstanding arrears that are irrecoverable and an increase in the provision during the year of £5.133m. Of the final balance, 49% is to cover Council Tax owed to the Council. The remaining 51% is to cover amounts owed to West Yorkshire Fire and Rescue Authority (1%) and amounts owed to Central Government (50%).

Note 4. Provision for Losses on Appeals

Within the 2020-21 Business Rate Pool, the Council shares 49% of the risks and rewards of the income from Business Rates. The Council could potentially receive a shortfall in income from changes in the valuations of commercial premises, following appeals to the Valuation Agency. In 2020-21, the full provision for losses on outstanding appeals was decreased by £5.709m, from £22.263m at 31 March 2020 to £16.554m at 31 March 2021. The Council's 49% share of the £16.554m provision was £8.111m.

Note 5. Collection Fund Balance

In line with proper accounting practice for Council Tax, Business Rates and the Collection Fund, any surplus or deficit in year must be allocated in year to the Council and the preceptors in the required proportions. However, in order to reflect the fact that the Council is not allowed by statutory legislation to either fund deficits or use surpluses in year, the distribution is offset by an entry to the Collection Fund Adjustment Account in the Council's Balance Sheet. This change does not therefore affect the statutory position, which is that any surplus or deficit on the Collection Fund must be used as an adjustment to the Council Tax and Business Rates in future years.

An overall deficit of £66.329m arose in 2020-21 (£1.489m surplus in 2019-20), of which the Council's share was a deficit of £34.882m (£1.220m surplus in 2019-20) and the preceptors share a deficit of £31.447m (£0.269m surplus in 2019-20). The exceptional deficit on the Collection Fund is discussed in more detail in Note 6 below.

Note 6. Collection Fund Deficit

The significant Collection Fund deficit for 2020/21 has arisen largely in relation to reductions being applied to business rates. These reductions reflected central government's support for businesses, in response to the COVID-19 pandemic, by awarding expanded retail discounts and nursery and newspaper reliefs, meaning that less rates were billed and therefore collectable in 2020/21. The business rates reductions are funded by central government through Section 31 Grants. The compensation is not included in the Collection Fund but is reimbursed to the Council through the General Fund account.
Further relief is provided by central government through the '75% Tax Income Guarantee compensation scheme' which compensates councils for 75% of council tax and business rates irrecoverable losses. The compensation funded by S31 grants, is not included in the Collection Fund, but is reimbursed to the council's general fund which includes £2.546m towards Council Tax losses and £4.582m for Business Rates losses.

Note 7. Leeds City Region Pooling Arrangement

The Council is a Member of the Leeds City Region Pool along with the other four West Yorkshire Authorities (Calderdale, Kirklees, Leeds and Wakefield), Harrogate and York. Under the terms of the pooling arrangement, during the year, each authority will receive exactly the same funding as they would have if treated individually. The distribution of any levy income is retained in the region as opposed to being paid over to the Government.

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

Report on the financial statements

Opinion on the financial statements of West Yorkshire Pension Fund
We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of West Yorkshire Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & IT's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & IT has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Material uncertainty relating to valuation of unquoted investments within level 3 of the fair value hierarchy
We draw attention to note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund investments classified within level 3 of the fair value hierarchy at 31 March 2020. As disclosed in note 4 of the financial statements, the outbreak of Covid-19 has resulted in additional uncertainty with regard to level 3 private equity and pooled property funds. As such, a material valuation uncertainty clause has been included in some valuation reports as a result of the impact of Covid-19. There is, therefore,

less certainty and a higher degree of caution should be attached to the valuations of level 3 private equity and pooled property funds than would normally be the case. There is a risk that current valuations may be under or over stated in the accounts. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Director of Finance & IT for the financial statements

As explained more fully in the Statement of the Director of Finance & IT's Responsibilities, the Director of Finance & IT is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance & IT is also responsible for such internal control as the Director of Finance & IT determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & IT is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance & IT is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

We have nothing to report in these respects.

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

[*Signature*] Cameron Waddell
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place Leeds
LS1 4AP

[Insert date]

West Yorkshire Pension Fund

	Fund account for the year ended 31 March 2021		
2020		**2021**	***Note***
£000		**£000**	
	Dealings with members, employers and others directly involved in the Fund		
441,973	Contributions receivable	480,170	*6*
50,705	Transfers in	26,934	*7*
21,671	Non-statutory pensions and pensions increases recharged	21,019	*8*
514,349		**528,123**	
-553,082	Benefits payable	-550,077	*9*
-21,671	Non-statutory pensions and pensions increases	-21,019	*8*
-37,250	Payments to and on account of leavers	-23,373	*10*
-612,003		**-594,469**	
-97,654	**Net additions/(withdrawals) from dealing with members**	**-66,346**	
-12,306	Management expenses	-10,002	*13*
-109,960	**Net additions/(withdrawals) including management expenses**	**-76,348**	
	Returns on investments		
464,284	Investment income	361,159	*15*
-8,719	Taxes on income	-7,919	*15a*
-1,497,058	Profit and losses (-)on disposal of and changes in value of investments	2,833,734	*17*
2,710	Stock lending	2,278	*17c*
-1,038,783	**Net return on investments**	**3,189,252**	
-1,148,743	**Net Increase (decrease) in the net assets available for benefits during the year**	**3,112,904**	
14,363,041	**Opening net assets of the scheme**	**13,214,298**	
13,214,298	**Closing net assets of the scheme**	**16,327,202**	

2020 £000	Net assets statement at 31 March 2021	2021 £000	*Note*
	Investment assets		
32,579	Northern LGPS assets	129,595	*17*
1,387,188	Bonds	1,315,811	*17*
9,499,515	Equities (including convertible shares)	12,112,419	*17*
736,119	Index-linked securities	735,119	*17*
1,214,360	Pooled investment vehicles	1,459,532	*17*
6,675	Direct Property	7,300	*17*
254,625	Cash deposits	422,003	*17*
46,842	Cash at bank	41,592	*17*
53,918	Other investment balances	58,153	*17*
	Investments liabilities		
-51,239	Other investment balances	-13,990	*17*
13,180,582	**Investments at 31 March**	**16,267,534**	
	Current assets		
54,197	Debtors	81,033	*20*
	Current liabilities		
-20,481	Creditors	-21,365	*21*
33,716	**Net current assets and liabilities**	**59,668**	
13,214,298	**Net assets of the scheme available to fund pension benefits**	**16,327,202**	

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2021. This financial statement shows the net value of assets owned by the Fund, the actuarial calculation of the present value of promised retirement benefits is provided in note12.

Note 1. Operations and Membership

The West Yorkshire Pension Fund (WYPF) provides for the payment of defined pension benefits to members or their dependants, from participating employers. It publishes its own detailed report and accounts document, which is available on the WYPF website address www.wypf.org.uk.

Administering Authority – City of Bradford Metropolitan District Council is the administering authority for the Fund, and as such has statutory responsibility for the management and administration of the Fund. The Fund's entire investment portfolio is managed on a day to day basis in-house supported by the Fund's external advisers.

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

The scheme is governed by the Public Service Pensions Act 2013.
The Fund is administered in accordance with the following secondary legislation:

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

Management – The West Yorkshire Pension Fund Joint Advisory Group is responsible for advising on the administration of the Fund. The group is made up of three elected members from each of the five West Yorkshire Metropolitan District Councils (MDCs), three Trade Union representatives and two Scheme members. The Investment Advisory Panel is responsible for advising on the investment of the Fund and comprises two elected members from each of the five West Yorkshire Metropolitan District Councils, three trade union representatives, two external investment advisors, two scheme members, the Director – West Yorkshire Pension Fund and a Chief Financial Officer from the West Yorkshire District Councils on a two-year rotational basis.

Participating employers – There were 409 participating employers at 31st March 2021 (451 employers as at 31st March 2020) whose employees were entitled to be contributors to the Fund.

Membership – Total membership as at 31st March 2021 is 298,307 (31st March 2020 is 294,447).

2019-20	Profile of membership at 31 March	2020-21
100,281	Active members	101,079
96,717	Pensioner members	100,869
97,449	Members with preserved pensions	96,359
294,447	**Total members**	**298,307**

Benefits payable – On 1st April 2014, LGPS pensions became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with Consumer Prices Index. Prior to April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one off tax free cash payment. A Lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

Note 2. Actuary's Report

West Yorkshire Pension Fund
Statement of the Actuary for the year ended 31 March 2021

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2019 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2019 (of £14,363.0M) covering 106% of the liabilities

allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:

- 18.0% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

- an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

Less

- 2.3% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).

3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2020	16.3	3.4
2021	16.5	2.4
2022	16.6	1.9

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

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

Discount rate for periods in service	
Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	3.30% p.a.
Discount rate for periods after leaving service	
Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	1.60% p.a.
Rate of pay increases	3.35% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

* The Scheduled and Subsumption body and intermediate funding targets discount rates, as appropriate, were also used for employers whose liabilities will be subsumed after exit by an employer subject to that funding target.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

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

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a Sk of 7.5, Adjustment Parameter of 0.00 and a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	24.5
Current active members aged 45 at the valuation date	22.4	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

- **Increases to Guaranteed Minimum Pensions (GMPs):**

  The 2019 valuation allows for the extension of the ‘interim solution’ for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to indexation and equalisation for GMPs and set out its proposal to extend the interim solution further to those reaching SPA after 5 April 2021.

  The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

- **Cost Management Process and McCloud judgement:**

  Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

  The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs of the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the final details of the LGPS changes arising from the 2016 cost management process have been agreed.

  Work on the 2020 cost management process has now been started, and it is possible that further changes to benefits and/or contributions may ultimately be required under that process, although the outcome is not expected to be known for some time.

- **Goodwin**

  An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

11. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

https://www.wypf.org.uk/media/2850/wypf-2019-valuation-report.pdf

Aon Solutions UK Limited

April 2021

Note 3. Accounting policies

Basis of preparation
The statement of accounts summarises the Fund's financial activities for the 2020/21 financial year and its financial position at year-end as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided by our actuary in note 12.

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

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

Where employers have to pay the indirect costs of early retirement, these costs are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as current asset debtors.

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

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

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

Administrative expenses
All WYPF staff are charged directly to the Fund. Associated indirect management costs and other overheads are apportioned to administrative expenses using relevant factors and charged as expenses to the Fund.

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

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

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

Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed every three years per LGPS regulations and updated annually in the intervening years by the appointed actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 12).

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

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

Investment income

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

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

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

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

Movement in the net market value of investments
Changes in the net market value of investments (including investment properties) are recognised as income when positive (profits) and as expenditure when negative (losses). This comprises of all realised and unrealised profits/losses during the accounting period.

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

Financial assets
Financial assets are included in the net assets statement based on fair value or amortised cost. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From the date of recognition any gains or losses arising from changes in the fair value of assets held at fair value are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 18). For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

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

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

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

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

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

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

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

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

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

And

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

Contingent liabilities and contractual commitments
A contingent liability arises when an event has taken place that gives the Fund a possible obligation, the existence of which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in a note 24 to the accounts.

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

Investment transactions
Investment transactions occurring up to 31 March 2021 but not settled until later are accrued in the accounts.

Note 4. Critical judgments in applying accounting policies

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

Assumptions made about the future and other major sources of estimation uncertainty
The preparation of the Fund’s financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Fund’s results and financial position, are explained below.

Fair value of financial instruments
In accordance with the Code and IFRS13, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 18. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

Impact of Covid-19
The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, continued to impact global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. Valuation of quoted and unquoted assets were materially impacted. The impact of Covid-19 has added additional uncertainty to the valuation of unquoted stock, which is challenging in normal times. Asset values are less certain as a result of increased volatility, changing domestic and industrial consumption, markets trending more favourably in the direction of digital, virtual and contactless business activities with green environmental focus.

In simple terms the impact of Covid-19 has continued to significantly impact on the number of transactions in the market up to 31 March 2021 and consequently the relevant observable data available upon which to base a valuation judgement. Specifically, with regard to pooled property funds, a material valuation uncertainty clause has been included in a number of valuation reports from fund managers due to the possible impact of Covid-19. Therefore, there is less certainty, and a higher degree of caution should be attached to our valuations of Level 3 assets than would normally be the case. There is a risk that current valuations may be under or over stated in the accounts.

Retirement benefit obligations
Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as in note 12 and does not comprise part of the financial statements. Significant estimates are used in formulating this information, all of which are disclosed as in note 12.

Note 5. Events after the Balance sheet date
These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

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

There have been no adjusting events since 31 March 2021 and up to the date when these accounts were authorised, that require any adjustments to these accounts. The market value movement of financial assets as a result the prevailing Covid-19 pandemic is a non-adjusting event, it is impossible to estimate the impact of Covid-19 on this financial statement.

Note 6. Contributions receivable by category:

Contributions from employers and employees:

2019-20 £000	Analysis of contributions receivable	2020-21 £000
319,830	Employers	353,385
122,143	Members	126,785
441,973	**Total contributions receivable**	**480,170**

Contributions by type of employer:

2019-20 £000	Analysis by type of employer	2020-21 £000
53,103	**Administering Authority**	52,806
350,280	**Scheduled bodies**	389,501
38,590	**Admitted bodies**	37,863
441,973	**Total contributions receivable**	**480,170**

Contributions are further analysed by type of contribution:

2019-20 £000	Contributions received by type	2020-21 £000
116,727	Employees normal contributions	122,673
5,416	Employees additional contributions	4,112
294,435	Employers normal contributions	313,057
25,395	Employers deficit contributions	40,328
441,973	**Total contributions receivable**	**480,170**

Employers' contribution rates and deficit contributions

Employer contributions receivable in 2020-21 were based on 31 March 2019 triennial valuation. At each triennial valuation (latest 31 March 2019) the Actuary calculates an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. The rates for 2020/21 base on pay in the financial year are provided below.

2020/21 Pay	Contribution rate
Up to £14,600	5.50%
£14,601 to £22,800	5.80%
£22,801 to £37,100	6.50%
£37,101 to £46,900	6.80%
£46,901 to £65,600	8.50%
£65,601 to £93,000	9.90%
£93,001 to £109,500	10.50%
£109,501 to £164,200	11.40%
£164,201 or more	12.50%

Note 7. Transfers in

2019-20 £000	Transfers in from other pension funds	2020-21 £000
38,664	Individual transfers in from other schemes	25,288
12,041	Bulk transfer in from other schemes	1,646
50,705	**Total transfers in**	**26,934**

Note 8. Non-statutory pensions and pensions increase recharged

2019-20 £000	Non-statutory pensions and pensions increase recharged	2020-21 £000
21,671	**Pensions**	**21,019**

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

Note 9. Benefits payable

2019-20 £000	Analysis of benefits payable	2020-21 £000
	Funded pensions	
-388,929	Retired employees	-406,808
-34,926	Dependants	-33,611
	Funded lump sums	
-115,655	On retirement	-95,919
-13,572	On death	-13,739
-553,082	**Total Benefits Payable**	**-550,077**

The total benefits payable is further analysed by type of member body:

2019-20 £000	Analysis of benefits payable by member body	2020-21 £000
-83,865	Administering Authority	-81,348
-412,990	Scheduled bodies	-415,221
-56,227	Admitted bodies	-53,508
-553,082	**Total benefits payable**	**-550,077**

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

Note 10. Payments to and on account of leavers

2019-20 £0	Payments to and on account of leavers	2020-21 £000
-1,644	Refund of contributions	-1,266
-35,606	Individual transfers out to other schemes	-22,107
-37,250	**Total transfers out**	**-23,373**

Note 11. AVC scheme with Equitable Life, Scottish Widows and Prudential

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Utmost (Equitable Life Assurance), Scottish Widows and Prudential, whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.
As advised by the three companies the amounts administered under AVC arrangements are as follows:

2019-20 £000	Additional voluntary contributions	2020-21 £000
33,970	Value of funds at 1st April	12,800
6,112	Contributions received	425
144	Transfers and withdrawals	20
-1,206	Interest and bonuses / change in market value of assets	2,001
-6,155	Sale of investments to settle benefits due to members	-1,395
32,865	**Value of fund at 31st March**	**13,851**

STILL WAITING FOR PRUDENTIAL FIGURES

The aggregate amounts of AVC investments are:

2019-20 £000	AVC investments	2020-21 £000
2,193	Utmost (Equitable Life)	2,090
20,065	Prudential	0
10,606	Scottish Widows	11,761
32,865	**Total**	**13,851**

Note 12. Actuarial present value of promised retirement benefits

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

Actuarial present value of promised retirement benefits (defined benefit obligation)
Paragraph 6.5.2.8 of CIPFA's Code of Practice on local authority accounting for 2019/20 sets out that for consistency with employers' IAS 19 actuarial report, that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed in the Pension Fund Account.

The results as at 31 March 2019, together with the results as at 31 March 2016 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

	Value as at 31 March 2019 £M	Value as at 31 March 2016 £M
Fair value of net assets	14,363.0	11,211.0
Actuarial present value of the defined benefit obligation (see Notes)	(19,365.8)	(14,085.4)
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(5,002.8)	(2,874.4)

McCloud / Sargeant judgement
The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgement of £33.15M. The McCloud / Sargeant judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination.

The Government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales all members joined the new 2014 Scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme. The remedy for the LGPS is expected to be consulted upon in the summer. The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the Scheme on 1 April 2012 (and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier.

Equalisation and Indexation of Guaranteed Minimum Pensions
The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose State Pension Age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within this note assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

Cost Management Process
The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations. Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

HM Treasury and the SAB have paused their reviews following the 'McCloud' judgement in the Court of Appeal. The cost cap process will not recommence until the remedy as applies to the LGPS has been decided.

On 24 April 2020 a number of Trades Unions filed court proceedings to challenge the Government's decision to pause the cost management process. If successful this could lead to higher liabilities and employer costs although it is not yet known how such changes, and those required due to the McCloud case, will affect the cost management valuation due as at 31 March 2020 which it is expected would lead to changes in benefits and/or member contributions in future.

Assumptions
The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2019. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2019 (% p.a.)	31 March 2016 (% p.a.)
Discount rate	2.40	3.40
CPI Inflation (pension increases) *	2.20	1.80
Rate of general increase in salaries **	3.45	3.05

** In excess of Guaranteed Minimum Pension increases in payment for members whose State Pension Age is on or before 5 April 2016 where appropriate*
*** In addition, allowance has been made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date*

Principal demographic assumptions
The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below:

	31/03/2019	31/03/2016
Males		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	21.8	22.0
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	22.4	22.9
Females		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	24.5	25.1
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	25.6	26.9

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2019 valuation. Assumptions for the rates of the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2019 valuation of the Fund, which are detailed in the actuary's valuation report.

Key risks associated with reporting under IAS 26 and sensitivity

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

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

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

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

Post 31 March 2019 experience
Since 31 March 2019 the Fund's assets are likely to have fallen in value due to the emerging Covid-19 crisis. This crisis has also caused a reduction in corporate bond yields, which will have led to an increase in the value of the defined benefit obligation (liabilities) on an accounting basis. The impact on the net pensions asset will depend on the Fund's asset performance, but we would expect most LGPS Funds' IAS 26 balance sheet positions to have deteriorated over the year, with a higher IAS 26 deficit at 31 March 2020. It is too early to say what impact the higher rates of mortality will have on the funding position of the Fund. At time of writing, ONS data is showing that the cumulative deaths in 2020 to date are well outside the range of the outcomes seen in recent years. The impact on longevity for the Fund's members will additionally be affected by the indirect impact of Covid-19,

including the health of the surviving population, and the economic, social and political consequences of tackling Covid-19. In both of the above cases, the impact on longevity could be positive or negative.

Choice of accounting assumptions

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

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

Sensitivity of results to key assumptions

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

We have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase by 1 year. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Sensitivity Analysis

Discount rate assumption		
Adjustment to discount rate assumption	**+0.1%** **£M**	**-0.10%** **£M**
£ change to present value of the defined benefit obligation	-396	404.2
% change in present value of defined benefit obligation	-2.00%	2.10%

Rate of general increase in salaries		
Adjustment to salary increase rate assumption	**+0.1%** **£M**	**-0.10%** **£M**
£ change to resent value of the defined benefit obligation	50.1	-49.5
% change in present value of defined benefit obligation	0.30%	-0.30%

Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts		
Adjustment to pension increase rate assumption	**+0.1%** **£M**	**-0.10%** **£M**
£ change to present value of the defined benefit obligation	354.2	-346.5
% change in present value of defined benefit obligation	1.80%	-1.80%

Post retirement mortality assumption		
Adjustment to members' life expectancy	**+1 year** **£M**	**-1 year** **£M**
£ change to present value of the defined benefit obligation	-745.4	757.9
% change in present value of defined benefit obligation	-3.90%	3.90%

Note 13. Management expenses

2019-20 £000	Management expenses	2020-21 £000
-4,763	Administration costs	-4,002
-6,698	Investment Management expenses	-5,129
-845	Oversight and Governance	-871
-12,306	**Total administrative expenses**	**-10,002**

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Investment management expenses above includes Statutory audit fee of -£37.4k (2019/20 -£37.4k) is included on oversight and governance. The statutory audit fee does not include fees chargeable to the Fund for pension assurance work undertaken at the request of employer auditors, fees payable for this work total -£24.3k (2019/20 -£22k) and are recharged to the relevant employers. No other fees have been paid to the external auditor.

The costs associated with the setting up and running Northern LGPS that relate specifically to WYPF are included within the administration costs above; the costs for the 2020/21 reporting period are £75.6k (2019/20 £106k).

Note 14. Investment expenses

	2020-21 Total £000	Management Fees £000	Performance related Fees £000	Transaction Costs £000
Northern LGPS assets	28	28	0	0
Bonds	336	336	0	0
Equities	3,848	3,062	0	786
Index-linked securities	187	187	0	0
Pooled investment vehicles	397	370	0	27
Property	2	2	0	0
Cash deposits	129	129	0	0
	4,927	**4,114**	**0**	**813**
Custody Fees	202			
Total	**5,129**			

	2019-20 Total £000	Management Fees £000	Performance related Fees £000	Transaction Costs £000
Northern LGPS assets	5	5	0	0
Bonds	211	211	0	0
Equities	3,736	1,442	0	2,294
Index-linked securities	112	112	0	0
Pooled investment vehicles	184	184	0	0
Property	1	1	0	0
Cash deposits	46	46	0	0
	4,295	**2,001**	**0**	**2,294**
Custody Fees	505			
Total	**4,800**			

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

Note 15. Investment income

2019-20 £000	Investment income	2020-21 £000
0	Northern LGPS assets	154
48,549	Income from bonds	39,418
382,045	Dividends from equities	295,369
3,683	Income from index-linked securities	3,532
26,435	Income from pooled funds	21,053
438	Income from Direct Property	449
3,134	Interest on cash deposits	1,184
464,284	**Total investment income**	**361,159**

Note 15a. Tax on income

2019-20 £000	Tax on income	2020-21 £000
-9,604	Dividends from equities	-7,919
885	HMRC receipt re GMP equalisation*	0
-8,719	**Total investment income**	**-7,919**

*GMP – Guaranteed minimum pension

Note 16. Direct Property Holdings

2019-20 £000	Direct Property Holdings	2020-21 £000
7,250	**Opening balance**	6,675
-575	Net Increase/ decrease in market value	625
6,675	**Closing value**	**7,300**

Note 17. Investments

Note 17a.Movement in the value of investments in 2020-21

	Opening value at 1 April 2020 £000	Purchases costs £000	Sales proceeds £000	Change in Market value £000	Closing value at 31 March 2021 £000
Northern LGPS assets	32,579	84,691	-6,336	18,661	129,595
Bonds	1,387,188	335,004	-425,563	19,182	1,315,811
Equities	9,499,515	553,678	-488,961	2,548,187	12,112,419
Index linked securities	736,119	53,161	-52,570	-1,591	735,119
Pooled funds	1,214,360	18,485	-21,990	248,677	1,459,532
Direct property	6,675	0	0	625	7,300
Cash deposits	254,625	1,098,393	-931,008	-7	422,003
Cash at bank	46,842	0	-5,250	0	41,592
Other investment debtors	53,918	4,235	0	0	58,153
Other investment creditors	-51,239	37,249	0	0	-13,990
Total investments	**13,180,582**	**2,184,896**	**-1,931,678**	**2,833,734**	**16,267,534**

Movement in the value of investments in 2019-20

	Opening value at 1 April 2019 £000	Purchases costs £000	Sales proceeds £000	Change in Market value £000	Closing value at 31 March 2020 £000
Northern LGPS assets	261	33,031	0	-713	32,579
Bonds	1,512,233	535,266	-534,984	-125,327	1,387,188
Equities	10,415,004	836,634	-433,408	-1,318,715	9,499,515
Index-linked securities	679,524	59,833	-54,480	51,242	736,119
Pooled funds	1,387,123	31,970	-97,447	-107,286	1,214,360
Direct property	7,250	0	0	-575	6,675
Cash deposits	269,242	1,169,499	-1,188,432	4,316	254,625
Cash at bank	25,261	21,581	0	0	46,842
Other investment debtors	48,560	5,358	0	0	53,918
Other investment creditors	-15,356	0	-35,883	0	-51,239
Total investments	**14,329,102**	**2,693,172**	**-2,344,634**	**-1,497,058**	**13,180,582**

The change in market value of investments during the year includes all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. A further analysis of the asset split between overseas and UK can be found in note 23.

b. Analysis of Investments by security type

At 31 March 2020 £000	Analysis of investments closing market values	At 31 March 2021 £000
32,579	**Northern LGPS Assets- Equities**	**129,595**
	Bonds:	
926,917	Public sector	782,562
460,271	Other	533,249
1,387,188		**1,315,811**
9,499,515	**Equities**	**12,112,419**
736,119	**Index linked securities**	**735,119**
	Pooled funds:	
94,967	Hedge funds	105,585
609,425	Property	606,022
509,968	Other	747,925
1,214,360		**1,459,532**
6,675	**Direct Property**	**7,300**
254,625	**Cash deposits**	**422,003**
46,842	**Cash in bank**	**41,592**
53,918	**Other Investment assets**	**58,153**
-51,239	**Other Investment liabilities**	**-13,990**
13,180,582	**Total**	**16,267,534**

c. Stock Lending

2019-20 £000	Analysis of stock lending	2020-21 £000
228	Income - Bonds	176
648	- UK equities	396
1,924	- International equities	1,782
-90	Expenditure	-76
2,710	**Total**	**2,278**

As at 31 March 2021, £660m of stock was on loan to market makers (31 March 2020 £890m) and this was covered by collateral totalling £702m (31 March 2020 £960m) which includes an appropriate margin. The stock on loan was covered by collateral valued at £955m (which includes an appropriate margin). The collateral includes; Basket of Equities (£163 million), United Kingdom Gilts (£159million), US Equities (£191 million) and Government Debt (£17 million).

Note 18. Fair Value – Basis of valuation

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

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted equities	Level 1	Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Unquoted bonds	Level 3	Fund managers' capital statements	Evaluated price feeds	Not required
Pooled investment - unit trusts and quoted property funds.	Level 2	Closing bid price where bid and offer prices are published - closing single price where single price is published. Valuations for Property Funds are provided by Fund managers and where available closing bid price is used.	NAV - based pricing set on a forward pricing basis.	Not required
All unquoted, delisted or suspended assets, pooled investments - hedge funds, unit trusts and property funds	Level 3	Closing bid price where bid and offer prices are published - closing single price where single price is published.	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund between 30 and 90 days after the month end to which they relate. The values reported in the financial statements are therefore based on December 2020 to March 2021, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain assurance over valuations and capital statements provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values and updated capital statements provided in subsequent periods. In the case of delisted assets we use latest available price or price advised by investment managers.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Freehold and leasehold properties	Level 3	*Valued at fair value at the year-end by CBRE independent valuers- in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Standards and the RICS Valuation – Professional Standards UK January 2014 (revised July 2017) ("The Red Book").*	Existing lease terms - Independent market research - Nature of tenancies - Estimated growth - assumed vacancy levels - discount rate	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012)	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31st March 2021.

Sensitivity of assets valued at level 3	Value at 31 March 2021 £m	Value at 31 March 2020 £m
Pooled investments - hedge funds	105.3	94.9
Property funds	453.1	427.8
Direct property	7.3	6.7
Private equity inc NLGPS	1,783.0	1,552.9
Other assets	33.2	26.2
	2,381.9	**2,108.5**

Sensitivity of assets valued at level 3	Assessed valuation range (+/-)	Value at 31 March 2021 £m	Value on increase £m	Value on decrease £m
Pooled investments - hedge funds	10%	105.3	115.8	94.8
Property funds	10%	453.1	498.4	407.8
Direct property	10%	7.3	8.0	6.6
Private equity inc NLGPS	15%	1,783.0	2,050.5	1,515.6
Other assets	10%	33.2	36.5	29.9
		2,381.9	**2,709.2**	**2,054.7**

Sensitivity of assets valued at level 3	Assessed valuation range (+/-)	Value at 31 March 2020 £m	Value on increase £m	Value on decrease £m
Pooled investments - hedge funds	10%	94.9	104.4	85.4
Property funds	10%	427.8	470.6	385.0
Direct property	10%	6.7	7.4	6.0
Private equity inc NLGPS	15%	1,552.9	1,785.8	1,320.0
Other assets	10%	26.2	28.8	23.6
		2,108.5	**2,397.0**	**1,820.0**

Valuation of financial assets carried at fair value.
The valuations of financial assets have been classified into three levels according to the quality and reliability of information used to determine the fair values. Transfers between levels are recognised in the year in which they occur.

Level 1
Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Financial assets classified as level 1 comprise quoted equities, quoted bonds (fixed interest securities), quoted index linked securities and unit trusts.

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

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

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

Valuation hierarchy as at 31st March 2021

Valuation hierarchy	**At 31 March 2021**			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets				
Financial assets at fair value through profit & loss	12,510	868	2,375	15,753
Financial assets at amortised cost	603	0	0	603
Total financial assets	**13,113**	**868**	**2,375**	**16,356**
Non financial assets at fair value through profit and loss				
Direct property	0	0	7	**7**
Financial liabilities				
Financial liabilities at amortised cost	-35	0	0	-35
Total financial liabilities	**-35**	**0**	**7**	**-28**
	13,078	**868**	**2,382**	**16,328**

Valuation hierarchy as at 31st March 2020

Valuation hierarchy	**At 31 March 2020**			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets				
Financial assets at fair value through profit & loss	10,113	655	2,101	12,869
Financial assets at amortised cost	410	0	0	410
Total financial assets	**10,523**	**655**	**2,101**	**13,279**
Non financial assets at fair value through profit and loss				
Direct property	0	0	7	**7**
Financial liabilities				
Financial liabilities at amortised cost	-72	0	0	-72
Total financial liabilities	**-72**	**0**	**7**	**-65**
	10,458	**655**	**2,108**	**13,214**

Reconciliation of fair value measurements within level 3

Reconciliation of fair value measurements within level 3	Market value 01-Apr-20	Purchases	Sales	Change in 20/21 L1,L2 to L3 assets	Change in market value	Market value 31-Mar-21
	£000	£000	£000	£000	£000	£000
Pooled investments - Hedge funds	94,967	0	0	0	10,361	105,328
Property funds	427,860	17,088	-7,623	27,653	-11,900	453,078
Direct property	6,675	0	0	0	625	7,300
Private equity(inc NLGPS)	1,552,901	304,073	-231,639	10,180	147,483	1,782,998
Other assets	26,175	0	-414	0	7,454	33,215
	2,108,578	**321,161**	**-239,676**	**37,833**	**154,022**	**2,381,918**

Changes from level1 and Level2 to Level3 during 2020/21 are due to asset delisting or lack of observable inputs.

Reconciliation of fair value measurements within level 3	Market value 01-Apr-19	Adj to 01-Apr-19 assets L2 to L3	Purchases	Sales	Change in 19/20 L1,L2 to L3 assets	Change in market value	Market value 31-Mar-20
	£000	£000	£000	£000	£000	£000	£000
Pooled investments - Hedge funds	91,948	0	0	-81	0	3,100	94,967
Property funds	356,494	0	5,733	-19,961	86,623	-1,029	427,860
Direct property	7,250	0	0	0	0	-575	6,675
Private equity(inc NLGPS)	1,359,727	0	269,532	-206,210	0	129,852	1,552,901
Other assets	0	34,505	0	0	0	-8,330	26,175
	1,815,419	**34,505**	**275,265**	**-226,252**	**86,623**	**123,018**	**2,108,578**

Note 19. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading as at 31st March 2021. The table also includes Direct Property (non-financial instrument) for completeness.

Financial instruments – classification at 31st March 2021	Fair value through profit & loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total financial instruments
	£000	£000	£000	£000
Financial Assets				
Northern LGPS assets	129,595	0	0	129,595
Bonds	1,315,811	0	0	1,315,811
Equities	12,112,419	0	0	12,112,419
Index-linked securities	735,119	0	0	735,119
Pooled investment vehicles	1,459,532	0	0	1,459,532
Cash deposits	0	422,003	0	422,003
Cash at bank	0	41,592	0	41,592
Other investment balances	0	58,153	0	58,153
Debtors	0	81,033	0	81,033
Total financial assets	**15,752,476**	**602,781**	**0**	**16,355,257**
Financial Liabilities				
Other investment balances	0	0	-13,990	-13,990
Creditors	0	0	-21,365	-21,365
Total financial liabilities	**0**	**0**	**-35,355**	**-35,355**
Total	**15,752,476**	**602,781**	**-35,355**	**16,319,902**
Non-Financial instrument assets				
Direct Property	**7,300**	**0**	**0**	**7,300**
Total	**15,759,776**	**602,781**	**-35,355**	**16,327,202**

Financial instruments – classification at 31st March 2020	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial Assets				
Northern LGPS assets	32,579	0	0	32,579
Bonds	1,387,188	0	0	1,387,188
Equities	9,499,515	0	0	9,499,515
Index-linked securities	736,119	0	0	736,119
Pooled investment vehicles	1,214,360	0	0	1,214,360
Cash deposits	0	254,625	0	254,625
Cash at bank	0	46,842	0	46,842
Other investment balances	0	53,918	0	53,918
Debtors	0	54,197	0	54,197
Total financial assets	**12,869,761**	**409,582**	**0**	**13,279,343**
Financial Liabilities				
Other investment balances	0	0	-51,239	-51,239
Creditors	0	0	-20,481	-20,481
Total financial liabilities	**0**	**0**	**-71,720**	**-71,720**
Total	**12,869,761**	**409,582**	**-71,720**	**13,207,623**
Non-Financial instrument assets				
Direct Property	**6,675**	**0**	**0**	**6,675**
Total	**12,876,436**	**409,582**	**-71,720**	**13,214,298**

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

Note 20. Current assets

2019-20 £000	Current assets (Debtors)	2020-21 £000
	Debtors	
24,587	Contributions due from employees and employers	29,614
29,611	Other debtors	51,419
54,197	**Total current assets**	**81,033**

Note 21. Current liabilities

2019-20 £000	Current liabilities	2020-21 £000
	Creditors	
-12,849	Unpaid benefits	-9,811
-7,632	Other current liabilities	-11,555
-20,481	**Total current liabilities**	**-21,365**

Note 22. Related party transactions

In accordance with IAS24 Related Party Disclosures, material transactions with related parties not disclosed elsewhere are detailed below.

Administering body
Bradford Metropolitan District Council is a related party in its role as the Administering Authority for West Yorkshire Pension Fund. In 2020/21, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £444k in respect of support services provided (£444k in 2019/20). The support costs include a full year support for financial systems, payroll, HR, legal, internal audit and information technology services.

Employers
Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in note 27 of this report. Contributions in respect of March 2021 payroll are included within the debtors figure in note 20.

Members
The Metropolitan Councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel and the Joint Advisory Group. Six of these members are in receipt of pension benefits from the Fund.

There have been no material transactions between any member or their families and the Pension Fund.

Key management personnel
No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with City of Bradford Metropolitan District Council, for the supply of goods or services to the Fund.

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £143k (2019/20 £128k). Details of the remuneration for these two posts are included in note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

Note 23. Nature and extent of risks arising from financial instruments

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

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

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

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

a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's equity holdings are spread across more than 800 UK companies, and almost 1,000 overseas companies, and a range of unit trusts and managed Funds.
Risk is controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable.

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

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

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

b) Price risk

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

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

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2020/21 reporting period.

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

Asset type	2020-21 Potential market movement +/- (%pa)	2019-20 Potential market movement +/- (%pa)
UK corporate bonds	25.40	12.30
UK equities	31.20	18.80
UK public sector bonds	4.60	7.20
UK index-linked	5.90	3.60
UK pooled funds-properties	1.50	3.10
UK pooled funds-other	1.50	3.10
UK direct property	16.60	7.30
Overseas corporate bonds	5.80	9.30
Overseas equities	39.30	7.50
Overseas public sector Bonds	5.80	9.30
Overseas index-linked	0.90	3.60
Overseas pooled funds-properties	1.50	3.10
Overseas pooled funds-other	1.50	3.10
Cash deposits	1.50	2.00
Cash at bank	1.50	0.01
Other investment assets	0.00	0.00
Other investment liabilities	0.00	0.00

Asset type	Value as at 31-Mar-21 £000	Value as at 31-Mar-20 £000
UK corporate bonds	441,838	362,039
UK equities	6,150,463	4,977,267
UK public sector bonds	549,861	672,778
UK index-linked	645,331	640,816
UK pooled funds-properties	529,604	522,465
UK pooled funds-other	311,391	228,283
UK direct property	7,300	6,675
Overseas corporate bonds	91,410	98,232
Overseas equities	6,091,551	4,554,827
Overseas public sector Bonds	232,701	254,139
Overseas index-linked	89,788	95,303
Overseas pooled funds-properties	76,419	86,960
Overseas pooled funds-other	542,119	376,653
Cash deposits	422,003	254,625
Cash at bank	41,592	46,842
Other investment assets	58,153	53,918
Other investment liabilities	-13,990	-51,239
Total Investment Assets	**16,267,534**	**13,180,582**

Asset type	Value as at 31-Mar-21 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK corporate bonds	441,838	25.40	554,065	329,611
UK equities	6,150,463	31.20	8,069,407	4,231,519
UK public sector bonds	549,861	4.60	575,155	524,567
UK index-linked	645,331	5.90	683,406	607,256
UK pooled funds-properties	529,604	1.50	537,548	521,660
UK pooled funds-other	311,391	1.50	316,062	306,720
UK direct property	7,300	16.60	8,512	6,088
Overseas corporate bonds	91,410	5.80	96,712	86,108
Overseas equities	6,091,551	39.30	8,485,531	3,697,571
Overseas public sector Bonds	232,701	5.80	246,198	219,204
Overseas index-linked	89,788	0.90	90,596	88,980
Overseas pooled funds-properties	76,419	1.50	77,565	75,273
Overseas pooled funds-other	542,119	1.50	550,251	533,987
Cash deposits	422,003	1.50	428,333	415,673
Cash at bank	41,592	1.50	42,216	40,968
Other investment assets	58,153	0.00	58,153	58,153
Other investment liabilities	-13,990	0.00	-13,990	-13,990
Total Investment Assets	**16,267,534**		**20,805,720**	**11,729,348**

Asset type	Restated Value as at 31-Mar-20 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK corporate bonds	362,039	12.30	406,570	317,508
UK equities	4,977,267	18.80	5,912,993	4,041,541
UK public sector bonds	672,778	7.20	721,218	624,338
UK index-linked	640,816	3.60	663,885	617,747
UK pooled funds-properties	522,465	3.10	538,661	506,269
UK pooled funds-other	228,283	3.10	235,360	221,206
UK direct property	6,675	7.30	7,162	6,188
Overseas corporate bonds	98,232	9.30	107,368	89,096
Overseas equities	4,554,827	7.50	4,896,439	4,213,215
Overseas public sector Bonds	254,139	9.30	277,774	230,504
Overseas index-linked	95,303	3.60	98,734	91,872
Overseas pooled funds-properties	86,960	3.10	89,656	84,264
Overseas pooled funds-other	376,653	3.10	388,329	364,977
Cash deposits	254,625	2.00	259,718	249,533
Cash at bank	46,842	2.00	47,779	45,905
Other investment assets	53,918	0.00	53,918	53,918
Other investment liabilities	-51,239	0.00	-51,239	-51,239
Total Investment Assets	**13,180,582**		**14,654,325**	**11,706,842**

Alternative (universe) assets have been restated and the assets have now been split between UK and overseas Pooled funds - other

c) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2021 and 31 March 2020 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

At 31 March 2020 £000	Asset type	At 31 March 2021 £000
1,387,188	Bonds	1,315,811
254,625	Cash deposits	422,003
46,842	Cash at bank	41,592
1,688,655	**Total**	**1,779,406**

Interest rate risk - sensitivity analysis

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

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

Asset type	Value at 31 March 2021	Value on Increase +100BPS	Value on decrease -100BPS
	£000	£000	£000
Bonds	1,315,811	1,328,968	1,302,652
Cash deposits	422,003	426,223	417,783
Cash at bank	41,592	42,008	41,176
Total change in assets available	**1,779,406**	**1,797,199**	**1,761,611**

Asset type	Value at 31-Mar-20	Value on Increase +100BPS	Value on decrease -100BPS
	£000	£000	£000
Bonds	1,387,188	1,401,060	1,373,316
Cash deposits	254,625	257,171	252,079
Cash at bank	46,842	47,310	46,374
Total change in assets available	**1,688,655**	**1,705,541**	**1,671,769**

d) Currency risk

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

The following tables summarise the Fund's currency exposure as at 31 March 2021 and 31 March 2020:

Currency exposure - asset type	Value as at 31st March 2021	Value as at 31st March 2020
	£000	£000
Overseas corporate bonds	91,410	98,232
Overseas equities	6,091,551	4,554,827
Overseas public sector Bonds	232,701	254,139
Overseas index-linked	89,788	95,303
Overseas properties	76,419	86,960
Overseas unit trusts	542,119	394,203
Total overseas assets	**7,123,988**	**5,483,664**

Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2019/20 6.0%). A 6.0% strengthening / weakening of the pound against the various currencies in which the Fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Asset type	Value at 31 March 2021	Value on increase	Value on decrease
	£000	£000	£000
Overseas corporate bonds	91,410	96,895	85,925
Overseas equities	6,091,551	6,457,044	5,726,058
Overseas public sector Bonds	232,701	246,663	218,739
Overseas index-linked	89,788	95,175	84,401
Overseas properties	76,419	81,004	71,834
Overseas unit trusts	542,119	574,646	509,592
Total overseas assets	**7,123,988**	**7,551,427**	**6,696,549**

Asset type	Value at 31-Mar-20 £000	Value on increase £000	Value on decrease £000
Overseas corporate bonds	98,232	104,126	92,338
Overseas equities	4,554,827	4,828,117	4,281,537
Overseas public sector Bonds	254,139	269,387	238,891
Overseas index-linked	95,303	101,021	89,585
Overseas properties	86,960	92,178	81,742
Overseas unit trusts	376,653	399,252	354,054
Total overseas assets	**5,466,114**	**5,794,081**	**5,138,147**

e) Credit risk

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

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

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition, the Fund is fully indemnified by Northern Trust Securities (HSBC Securities in previous years) on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 17.

f) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure there are adequate cash resources available to meet its commitments. This will particularly be the case for cash, from the cashflow matching mandates from the main investment strategy to meet pensioner payroll costs, and also cash to meet investment commitments.

Note 24. Contractual commitments

At 31 March 2021 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31 March 2021	Un-drawn commitments
	£m	£m
Private equity	1,549	1,237
Property funds	596	76
Total	**2,145**	**1,313**

At 31st March 2020 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31 March 2020	Un-drawn commitments
	£m	£m
Private equity	1,520	1,147
Property funds	609	70
Total	**2,129**	**1,217**

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

Note 25. Accounting Developments

Accounting standards that have been issued before 1 January 2020 but not yet adopted by the Cipfa code of practice on local authority accounting and consequently are not yet adopted by the fund. These are listed below.

- **IAS 28 Long-term interests** in Associates and Joint Ventures (Amendments to IAS 28)' provide clarity that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

- **IFRIC 23 Uncertainty over Income Tax Treatment**, the latest update deals with uncertainty over income tax treatments.

- **IFRS 9 Financial Instruments**, the update standard deals with concerns about how IFRS 9 classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.

- **IAS 19 Employee Benefits**, the latest amendment harmonises accounting practices and provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

The introduction of, and amendments to, the above accounting standards are not expected to have a material impact on this financial statement in the period of initial application.

Note 26. Investment Strategy Statement

The West Yorkshire Pension Fund has prepared an Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. Full details of the ISS and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund's website www.wypf.org.uk.

Note 27. List of Participating Employers Contributing to the Fund
In 2020/21 451 employers paid contributions into the Fund, at the end of the year there were 409 employers with active members.

PARTICIPATING EMPLOYERS	
BRADFORD M.D.C	BAILDON TOWN COUNCIL
LEEDS CITY COUNCIL	BANKSIDE PRIMARY SCHOOL
CALDERDALE M.B.C	BARDSEY PRIMARY FOUNDATION SCHOOL
KIRKLEES M.C	BARNARDOS ASKHAM GRANGE PRISON
WAKEFIELD M.D.C	BASKETBALL ENGLAND
ABBEY MULTI ACADEMY TRUST	BATLEY GRAMMAR SCHOOL (BATLEY M.A.T.)
ABSOLUTELY CATERING LIMITED (BATLEY MAT)	BATLEY MULTI ACADEMY TRUST
ABSOLUTELY CATERING LTD (BGS)	BECKFOOT TRUST
ACCORD MULTI ACADEMY TRUST	BEESTON HILL ST LUKES C E PRIMARY SCHOOL
ACKWORTH PARISH COUNCIL	BEESTON PRIMARY TRUST
ADDINGHAM PARISH COUNCIL	BELLE ISLE TENANT MANAGEMENT ORG
ADEL ST JOHN THE BAPTIST C E (V A) PRIMARY SCHOOL	BID SERVICES
AFFINITY TRUST	BINGLEY GRAMMAR SCHOOL
AIREBOROUGH LEARNING PARTNERSHIP TRUST	BIRSTALL PRIMARY ACADEMY
ALL SAINTS C E J & I SCHOOL	BLESSED CHRISTOPHER WHARTON ACADEMY TRUST
ALL SAINTS RICHMOND HILL CHURCH OF ENGLAND PRIMARY SCHOOL	BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (CALDERDALE)
AMEY COMMUNITY LTD BRADFORD BSF PHASE 2 FM SERVICES	BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (KIRKLEES)
AMEY COMMUNITY LTD FM SERVICES	BOOTHROYD PRIMARY ACADEMY
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)	BRADFORD ACADEMY
APCOA PARKING (UK) LIMITED	BRADFORD COLLEGE
ARAMARK LIMITED	BRADFORD DIOCESAN ACADEMIES TRUST
ARCADIS (UK) LTD	BRADFORD DISTRICT CREDIT UNION
ARTS COUNCIL ENGLAND	BRADSHAW PRIMARY SCHOOL
ASPENS SERVICES LTD	BRAMLEY PARK ACADEMY
ASPENS SERVICES LTD (APPLETON ACADEMY)	BRAMLEY ST PETERS C OF E SCHOOL
ASPENS SERVICES LTD (OASIS ACADEMY)	BRIGHOUSE ACADEMY
ASPIRE COMMUNITY BENEFIT SOCIETY LTD	BRIGHTER FUTURES ACADEMY TRUST
ASPIRE-I	BRIGSHAW LEARNING PARTNERSHIP
ASPIRE-IGEN LTD	BRITISH GAS SOCIAL HOUSING LTD
BRODETSKY JEWISH (V A) PRIMARY SCHOOL	COMPASS CONTRACT SERVICES (NORTHERN EDUCATION TRUST)
BRONTE ACADEMY TRUST	COMPASS CONTRACT SERVICES (PARK VIEW & EAST GARFORTH)
BROOKSBANK SCHOOL SPORTS COLLEGE	COMPASS CONTRACT SERVICES (ST JOHN FISHERS)
BURLEY PARISH COUNCIL	COMPASS CONTRACT SERVICES (UK) (PONTEFRACT ACADEMIES TRUST)
BURNLEY ROAD ACADEMY	COMPASS CONTRACT SERVICES (UK) LTD
C AND K CAREERS LTD	COMPASS CONTRACT SERVICES (UK) LTD (CHARTWELL)
CAFCASS	COMPASS CONTRACT SERVICES (WESTBOROUGH HIGH SCHOOL)
CALDER HIGH SCHOOL	COMPASS CONTRACT SERVICES (WHETLEY ACADEMY)
CALDERDALE COLLEGE	COMPASS CONTRACT SERVICES LTD (MANOR CROFT)
CALVERLEY C OF E PRIMARY SCHOOL	CONSULTANT CLEANERS LIMITED (WESTBOROUGH HIGH SCHOOL)
CARDINAL HEENAN CATHOLIC HIGH SCHOOL	COOKRIDGE HOLY TRINITY C E PRIMARY SCHOOL
CARE QUALITY COMMISSION	CORPUS CHRISTI CATHOLIC COLLEGE
CARR MANOR COMMUNITY SCHOOL	CORPUS CHRISTI CATHOLIC PRIMARY SCHOOL
CARROLL CLEANING CO LTD (LAPAGE PRIMARY SCHOOL)	COTTINGLEY PRIMARY ACADEMY
CARROLL CLEANING COMPANY (NESSFIELD PRIMARY SCHOOL)	CRAFT CENTRE & DESIGN GAL. LTD

PARTICIPATING EMPLOYERS	
CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)	CREATIVE SUPPORT LIMITED
CARROLL CLEANING COMPANY LTD (BIRKENSHAW PRIMARY SCHOOL)	CRESCENT PURCHASING LTD
CARROLL CLEANING COMPANY LTD (HOLY TRINITY PRIMARY)	CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY
CARROLL CLEANING COMPANY LTD (PEEL PARK PRIMARY SCHOOL)	CROFTON ACADEMY
CARROLL CLEANING COMPANY LTD (SOUTHMERE PRIMARY ACADEMY)	CROSSLEY HALL PRIMARY SCHOOL
CARROLL CLEANING COMPANY LTD (ST JOHNS WAKEFIELD)	DARRINGTON C OF E PRIMARY SCHOOL
CARROLL CLEANING COMPANY LTD (WAKEFIELD)	DEIGHTON GATES PRIMARY FOUNDATION SCHOOL
CARROLL CLEANING COMPANY LTD (WHETLEY)	DELTA ACADEMIES TRUST
CASTLEFORD ACADEMY	DENBY DALE PARISH COUNCIL
CATERLINK LIMITED (IRELAND WOOD PRIMARY SCHOOL)	DIXONS ACADEMIES CHARITABLE TRUST LTD
CBRE MANAGED SERVICES LIMITED	EBOR GARDENS PRIMARY ACADEMY
CHIEF CONSTABLE FOR WEST YORKSHIRE	ELEVATE MULTI ACADEMY TRUST
CHURCHILL CONTRACT SERVICES (B B G ACADEMY)	ENGIE SERVICES LTD
CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE SECURITY)	ENHANCE ACADEMY TRUST
CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE)	ENVIROSERVE (PRIESTLEY ACADEMY TRUST) CLOSED 01/02/2020
CHURCHILL CONTRACT SERVICES (OUTWOOD GRANGE ACADEMIES TRUST)	ETHOS ACADEMY TRUST
CHURCHILL CONTRACT SERVICES (SHARE MAT)	EXCEED ACADEMIES TRUST
CLAPGATE PRIMARY SCHOOL	FALCON EDUCATION ACADEMIES TRUST
CLAYTON PARISH COUNCIL	FEVERSHAM EDUCATION TRUST
COALFIELDS REGENERATION TRUST	FEVERSHAM PRIMARY ACADEMY
COCKBURN MULTI ACADEMY TRUST	FIELDHEAD JUNIOR INFANT AND NURSERY ACADEMY
COLLABORATIVE LEARNING TRUST	FLEET FACTORS LTD
COLLINGHAM LADY ELIZABETH HASTINGS	FOXHILL PRIMARY SCHOOL
COMMUNITY ACCORD	FUTURE CLEANING SERVICES LIMITED (CALDER HIGH)
COMPASS (LEEDS PFI SCHOOLS)	GREENHEAD SIXTH FORM COLLEGE
COMPASS CONTRACT SERVICES (GREEN LANE)	GROUNDWORK LEEDS
COMPASS CONTRACT SERVICES (LAISTERDYKE)	GROUNDWORK WAKEFIELD
GROUP 4 TOTAL SECURITY LTD	INTERACTION AND COMMUNICATION ACADEMY TRUST
GROVE HOUSE PRIMARY	INTERACTION AND COMMUNICATION ACADEMY TRUST (HIGH PARK)
HALIFAX OPPORTUNITIES TRUST (CALDERDALE)	INTERSERVE (FACILITIES MANAGEMENT) LTD
HANSON SCHOOL	INTERSERVE (FACILITIES MANAGEMENT) LTD (P.C.C FOR WEST YORKSHIRE)
HAWKSWORTH C E (VA) PRIMARY SCHOOL	INTERSERVE (FACILITIES MANAGEMENT) LTD (W Y POLICE CLEANING CONTRACT)
HEBDEN ROYD TOWN COUNCIL	INTERSERVE CATERING SERVICES LIMITED
HECKMONDWIKE GS ACADEMY TRUST	INTERSERVE INTEGRATED SERVICES LTD
HEMSWORTH TOWN COUNCIL	IQRA ACADEMY (FEVERSHAM EDUCATION TRUST)
HEPWORTH GALLERY TRUST	JERRY CLAY ACADEMY
HF TRUST LIMITED	JOHN SMEATON ACADEMY
HILL TOP FIRST SCHOOL	KEELHAM PRIMARY SCHOOL
HOLLY BANK TRUST	KEEPMOAT PROPERTY SERVICES LIMITED
HOLME VALLEY PARISH COUNCIL	KEIGHLEY TOWN COUNCIL
HOLY FAMILY CATHOLIC (VA) PRIMARY SCHOOL	KHALSA SCIENCE ACADEMY
HOLY TRINITY PRIMARY C OF E ACADEMY	KILLINGHALL PRIMARY SCHOOL
HORBURY BRIDGE CE J AND I SCHOOL	KING JAMES'S SCHOOL
HORSFORTH SCHOOL ACADEMY	KIRKBURTON PARISH COUNCIL
HORSFORTH TOWN COUNCIL	KIRKLEES ACTIVE LEISURE
HORTON HOUSING ASSOCIATION (BRADFORD)	KIRKLEES CITIZENS ADVICE AND LAW CENTRE
HUDDERSFIELD NEW COLLEGE	KIRKLEES COLLEGE
HUGH GAITSKELL PRIMARY SCHOOL TRUST	KIRKLEES NEIGHBOURHOOD HSE LTD

PARTICIPATING EMPLOYERS	
HUMANKIND CHARITY (LEEDS)	KIRKSTALL ST STEPHENS C E (VA) PRIMARY SCHOOL
HUNSLET ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL	LADY ELIZABETH HASTINGS SCHOOL
HUTCHISON CATERING LTD (GUISELEY SCHOOL)	LAISTERDYKE LEADERSHIP ACADEMY
I S S MEDICLEAN LTD	LANE END PRIMARY TRUST
ILKLEY PARISH COUNCIL	LEARNING ACCORD MULTI ACADEMY TRUST
IMPACT EDUCATION MULTI ACADEMY TRUST	LEEDS AND BRADFORD INTERNATIONAL AIRPORT
INCOMMUNITIES	LEEDS APPROPRIATE ADULT SERVICE
INNOVATE SERVICES LTD (CROSSFLATTS)	LEEDS ARTS UNIVERSITY
INSPIRE PARTNERSHIP MULTI ACADEMY TRUST	LEEDS BECKETT UNIVERSITY
LEEDS C.A.B.	MELTHAM TOWN COUNCIL
LEEDS CENTRE FOR INTEGRATED LIVING	MENSTON PARISH COUNCIL
LEEDS CITY ACADEMY	MICKLEFIELD PARISH COUNCIL
LEEDS CITY COLLEGE	MILL FIELD PRIMARY ACADEMY (WRAT)
LEEDS COLLEGE OF BUILDING	MINSTHORPE ACADEMY TRUST
LEEDS COLLEGE OF MUSIC	MITIE LIMITED (LEEDS SCHOOLS PFI)
LEEDS EAST PRIMARY PARTNERSHIP TRUST	MITIE PFI LIMITED
LEEDS GRAND THEATRE & OPERA HSE	MOORLANDS LEARNING TRUST
LEEDS JEWISH FREE SCHOOL	MORLEY TOWN COUNCIL
LEEDS METROPOLITAN UNIVERSITY	MOUNT ST MARYS CATHOLIC HIGH SCHOOL
LEEDS NORTH WEST EDUCATION PARTNERSHIP	MOUNTAIN HEALTHCARE LTD (W Y POLICE)
LEEDS SOCIETY FOR THE DEAF & BLIND	MYRTLE PARK PRIMARY SCHOOL
LEEDS TRINITY UNIVERSITY	N.I.C. SERVICES GROUP LIMITED (MIDDLETON ST MARYS LEEDS)
LEODIS ACADEMIES TRUST	NATIONAL COAL MINING MUSEUM FOR ENGLAND
LIBERTY GAS OUTER WEST	NEW COLLABORATIVE LEARNING TRUST
LIBERTY GAS WEST	NINELANDS PRIMARY SCHOOL
LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST	NORMANTON TOWN COUNCIL
LIGHTCLIFFE C.E. J & I SCHOOL	NORTH HALIFAX GRAMMAR ACADEMY
LIGHTHOUSE SCHOOL	NORTH HALIFAX PARTNERSHIP LTD
LINDLEY C E INFANT ACADEMY	NORTHERN AMBITION ACADEMIES TRUST
LINDLEY JUNIOR SCHOOL ACADEMY TRUST	NORTHERN EDUCATION TRUST
LOCALA	NORTHERN SCH.OF CONTEMP DANCE
LOCALA (CALDERDALE)	NORTHERN STAR ACADEMIES TRUST
LONGROYDE JUNIOR SCHOOL	NORTHORPE HALL CHILD AND FAMILY TRUST
MAKING SPACE	NOTRE DAME SIXTH FORM COLLEGE
MAST ACADEMY TRUST	NPS (NORTH EAST) LTD
MEANWOOD C E (VA) PRIMARY SCHOOL	NPS LEEDS LIMITED
MEARS LTD (SOUTH)	NURTURE ACADEMIES TRUST
MEARS LTD (WEST)	NURTURE ACADEMIES TRUST (DOLCE)
MELLORS CATERING SERVICES LTD (CAVENDISH PRIMARY)	OASIS ACADEMY LISTER PARK
OFSTED	PROV CARLTON BOLLING COLLEGE
OLD EARTH ACADEMY	PROV NORSE COMMERCIAL SERVICES LTD (WELLSPRING ACADEMY TRUST)
ONE IN A MILLION FREE SCHOOL	PROV WRAT CLEANING CONTRACT
OPEN COLLEGE NETWORK YORKS & HUMBER (TRADING AS CERTA)	PUDSEY GRANGEFIELD SCHOOL
OSSETT TRUST	PUDSEY SOUTHROYD PRIMARY SCHOOL TRUST
OTLEY TOWN COUNCIL	RAINBOW PRIMARY FREE SCHOOL
OUR LADY OF GOOD COUNSEL CATHOLIC PRIMARY SCHOOL	RASTRICK HIGH SCHOOL ACADEMY TRUST
OUTWOOD ACADEMY FREESTON	RAWDON PARISH COUNCIL
OUTWOOD ACADEMY HEMSWORTH	RED KITE LEARNING TRUST (HARROGATE HR HUB)
OUTWOOD ACADEMY WAKEFIELD CITY	RED KITE LEARNING TRUST (LEEDS EAST HR HUB)
OUTWOOD GRANGE ACADEMY	REEVY HILL PRIMARY SCHOOL
OUTWOOD PRIMARY ACADEMY BELL LANE	RENEWI UK SERVICES LIMITED
OUTWOOD PRIMARY ACADEMY KIRKHAMGATE	RODILLIAN MULTI ACADEMY TRUST

PARTICIPATING EMPLOYERS	
OUTWOOD PRIMARY ACADEMY LEDGER LANE	ROOK'S NEST ACADEMY
OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE	ROTHWELL ST MARYS CATHOLIC (VA) PRIMARY SCHOOL
OUTWOOD PRIMARY ACADEMY NEWSTEAD GREEN	ROUNDHAY ST JOHNS C E (VA) PRIMARY SCHOOL
OUTWOOD PRIMARY ACADEMY PARK HILL	ROYDS COMMUNITY ASSOCIATION
OWLCOTES MULTI ACADEMY TRUST	ROYDS LEARNING TRUST
PENNINE ACADEMIES YORKSHIRE	RUSSELL HALL FIRST SCHOOL
PINNACLE (W Y POLICE)	RYBURN VALLEY ACADEMY
PINNACLE FM LIMITED (KIRKLEES)	RYHILL PARISH COUNCIL
PINNACLE FM LTD	SACRED HEART CATHOLIC (VA) PRIMARY SCHOOL
PONTEFRACT ACADEMIES TRUST	SALENDINE NOOK ACADEMY TRUST
POOL PARISH COUNCIL	SALTERLEE ACADEMY TRUST
POSSABILITIES CIC	SCOUT ROAD ACADEMY
PRIESTHORPE SCHOOL TRUST	SEA FISH INDUSTRY AUTHORITY
PRIESTLEY ACADEMY TRUST	SERVEST (B B G ACADEMY)
PRIMROSE LANE PRIMARY FOUNDATION SCHOOL	SHARE MULTI ACADEMY TRUST
PROGRESS TO CHANGE (CARDIGAN HOUSE)	SHIBDEN HEAD PRIMARY ACADEMY
PROGRESS TO CHANGE (RIPON HOUSE)	SHIPLEY COLLEGE
PROSPECTS SERVICES (BRADFORD 3)	SHIRLEY MANOR PRIMARY ACADEMY
SITLINGTON PARISH COUNCIL	STRAWBERRY FIELDS PRIMARY SCHOOL
SKILLS FOR CARE LIMITED	SUEZ RECYCLING AND RECOVERY UK LIMITED
SODEXO LTD	TAYLOR SHAW LIMITED (GORSE ACADEMIES TRUST)
SOUTH ELMSALL TOWN COUNCIL	TAYLOR SHAW LIMITED (GORSE AT ELLIOTT HUDSON COLLEGE)
SOUTH HIENDLEY PARISH COUNCIL	TAYLORSHAW LTD (COOKRIDGE HOLY TRINITY SCHOOL)
SOUTH KIRKBY AND MOORTHORPE TOWN COUNCIL	TAYLORSHAW LTD (SWARCLIFFE PRIMARY SCHOOL)
SOUTH OSSETT INFANTS ACADEMY	THE ANAH PROJECT
SOUTH PENNINE ACADEMIES	THE BISHOP KONSTANT CATHOLIC TRUST
SPIE LTD	THE BISHOP WHEELER CATHOLIC ACADEMY TRUST
SSE CONTRACTING LTD	THE CO-OPERATIVE ACADEMIES TRUST
ST ANNE'S (BRADFORD) COMMUNITY SERVICES	THE CROSSLEY HEATH ACADEMY TRUST
ST ANNE'S COMMUNITY SERVICES	THE FAMILY OF LEARNING TRUST
ST ANTHONYS CATHOLIC (VA) PRIMARY SCHOOL	THE GORSE ACADEMIES TRUST
ST EDWARDS CATHOLIC (VA) PRIMARY SCHOOL	THE GREETLAND ACADEMY TRUST
ST FRANCIS CATHOLIC PRIMARY SCHOOL	THE LANTERN LEARNING TRUST
ST FRANCIS OF ASSISI CATHOLIC (VA) PRIMARY SCHOOL	THE MFG ACADEMIES TRUST
ST GREGORY THE GREAT CATHOLIC ACADEMY TRUST	THE POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE
ST JOHN'S (CE) PRIMARY ACADEMY TRUST	THORNHILL JUNIOR AND INFANT SCHOOL
ST JOHN'S APPROVED PREMISES LIMITED	THORNTON GRAMMAR SCHOOL
ST JOHN'S PRIMARY ACADEMY RISHWORTH	THORNTON PRIMARY SCHOOL
ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL WETHERBY	THORP ARCH LADY ELIZABETH HASTINGS C E (VA) PRIMARY SCHOOL
ST JOSEPHS RC PRIMARY SCHOOL (TODMORDEN) RCAT	TNS CATERING (SPTA)
ST MATTHEWS C E PRIMARY SCHOOL	TOGETHER HOUSING ASSOCIATION LTD (GREENVALE)
ST MICHAEL & ALL ANGELS J & I	TOGETHER HOUSING ASSOCIATION LTD (PENNINE)
ST NICHOLAS CATHOLIC PRIMARY SCHOOL	TONG LEADERSHIP ACADEMY
ST OSWALDS CHURCH OF ENGLAND PRIMARY SCHOOL	TRINITY ACADEMY HALIFAX
ST PATRICKS CATHOLIC (VA) PRIMARY SCHOOL	TURNING LIVES AROUND
ST PETERS C E PRIMARY SCHOOL	TURNING POINT
ST PHILIPS CATHOLIC PRIMARY SCHOOL	UNITED RESPONSE
ST THERESAS CATHOLIC PRIMARY SCHOOL	UNIVERSITY ACADEMY KEIGHLEY
STAR ACADEMIES TRUST	UNIVERSITY OF BRADFORD
UNIVERSITY OF HUDDERSFIELD	
UNIVERSITY TECHNICAL COLLEGE LEEDS	

PARTICIPATING EMPLOYERS	
W.Y. FIRE & RESCUE AUTHORITY	
WAKEFIELD & DISTRICT HOUSING LTD	
WAKEFIELD COLLEGE	
WATERTON ACADEMY TRUST	
WELLSPRING ACADEMY TRUST	
WEST YORKSHIRE COMBINED AUTHORITY	
WESTWOOD PRIMARY SCHOOL TRUST	
WETHERBY HIGH SCHOOL	
WETHERBY TOWN COUNCIL	
WHINMOOR ST PAULS C E PRIMARY SCHOOL	
WHITEHILL COMMUNITY ACADEMY	
WILLIAM HENRY SMITH SCHOOL	
WILSDEN PRIMARY SCHOOL	
WOLSELEY UK LTD	
WOODSIDE ACADEMY	
WORTH VALLEY PRIMARY SCHOOL	
WRAT - LEEDS EAST ACADEMY	
WRAT - LEEDS WEST ACADEMY	
YORKSHIRE PURCHASING ORGANISATION	
DOLCE	

This glossary is provided to assist the reader. It offers an explanation of terms in common use in relation to local authority finance, many of which are used within this document.

Accruals

Income and expenditure are recognised as they are earned or incurred. When income is due to the Council but has not been received an accrual is made for the debtor. When the Council owes money but the payment has not been made an accrual is made for the creditor.

Assets Held for Sale

These are assets previously used in the provision of services by the Council which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

Associated Company

A company over which the Council is able to exercise significant influence (see also Group Accounts).

Capital Adjustment Account

The Capital Adjustment Account (CAA) was set up in 2008-9 following UK GAAP accountancy changes and replaces the Capital Financing Account. It is required to ensure that both sides of the Balance Sheet remain in balance, and increases and decreases in asset valuations are credited and debited to this account as appropriate following asset revaluations.

Capital Charges

Charges to services for the use of assets. They comprise depreciation, based on the current value of the assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets, or which adds to, and not merely maintains, the value to the Council of existing fixed assets. Fixed assets provide economic benefits to the Council for a period in excess of one year.

Capital Financing Requirement

A measure defined by the Prudential Code of the Council's level of borrowing for capital purposes. It is based on the Balance Sheet of the Council. It is the basis for calculating the charge to be made to revenue for debt repayment each year (see Minimum Revenue Provision).

Capital Receipts

Income from the disposal of land and other assets and from the repayment of grants and loans made to others for capital purposes. The income can only be used either to finance new capital spending or to reduce the capital financing requirement through the repayment of debt.

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

This document is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). It defines proper accounting practices for local authorities in the United Kingdom, and is generally abbreviated to 'the Code' in the text. The Code is based on International Financial Reporting Standards.

Collection Fund

The fund deals with the collection and distribution of Council Tax and non-domestic rates. Surpluses may arise from time to time if the amounts collected from Council Tax (and its predecessor, community charge) exceed estimates. Such surpluses cannot be used directly to fund expenditure, but can be taken into account through the budget process and used to reduce Council Tax.

Community Assets

Assets such as parks and historic buildings that the Council intends to hold in perpetuity and that may have restrictions on their disposal.

Consistency

The concept that the accounting treatment of any given item will remain consistent between accounting years and that any necessary change will be made clear to the reader of the statement of accounts.

Contingent Liabilities

These are material liabilities where the contingent loss cannot be accurately estimated or is not considered sufficiently certain to include in the accounts. They are therefore brought to the attention of readers of the accounts as a note to the Balance Sheet.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Debtors

Sums of money owed to the Council but not received at the end of the year.

Depreciation

A capital charge made to services for the use of fixed assets in the provision of services. It represents the depletion of the useful life of an asset and the consequent reduction in its value.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Consequently, the leased assets are recognised on the Balance Sheet of the lessee.

Financial Instruments
A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Council.

Financial Reporting Standards (FRS)
Accounting practice to be followed in the preparation of accounting statements in the years prior to 2010-11. For example FRS17 governs the way in which pension liabilities must be presented in the accounts. From 2010-11 onwards FRS will be fully replaced by IFRS (International Financial Reporting Standards), see below.

General Fund
All services other than those which authorities are required to account for separately in a Housing Revenue Account or Collection Fund.

General Reserves and Balances
Monies held by the Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Group Accounts
Where authorities have material interests in subsidiaries, associated companies or joint ventures they are required to prepare additional group account statements. The group accounts consolidate those interests in subsidiaries, associates and joint ventures with the Council's own accounts to present a complete picture of the Council's activities.

Heritage Assets
These are assets, previously classified as community assets, which are intended to be preserved in trust for future generations because of their cultural, environmental of historical associations.

International Financial Reporting Standards (IFRS)
These are accounting standards issued by the International Accounting Standards Board.

Impairment
A diminution in value of fixed assets resulting from obsolescence, physical damage or general market conditions. The Council undertakes annual reviews of its assets to identify impairment.

Comprehensive Income and Expenditure Statement
This statement is compiled in accordance with IFRS and reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

Infrastructure Assets
These are assets such as highways and footpaths.

Investments
These may be long-term investments whose purpose is to produce capital gain and rental income, or the short-term investment of cash balances that may arise from day to day management of the Council's cash flow.

Investment Properties
Land and buildings that are held for capital gain and rental income and not for the provision of services.

Joint Venture
A company or body in which decisions require the consent of all participants (see also Group Accounts).

Liabilities
Amounts due to individuals or organisations and to be paid at some time in the future. Current liabilities are payable within one year of the Balance Sheet date.

Local Area Agreement (LAA)
The LAA is a partnership between the Council and other public bodies whose aim is to work together towards jointly agreed objectives to improve local public services. The Council's LAA partners comprise local health bodies, learning bodies, community groups, housing associations and voluntary associations.

Materiality
An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)
This is the minimum amount of external borrowing that authorities must repay and charge to their revenue accounts each year. It is calculated as a percentage of the Council's capital financing requirement at the start of the year.

Non Current Assets
Assets that yield economic benefits to the Council for a period of more than one year. Examples include land, buildings, vehicles and investment property.

Non-Domestic Rates (NNDR)
These are rates levied on business properties. The level of NNDR charges is set by the Government. The Council receives 49% of the rates levied in the district, central government 50% and West Yorkshire Fire and Rescue Authority 1%.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Leases

Leases other than finance leases. Under operating leases the risks and rewards of ownership remain substantially with the lessor. Consequently, the assets concerned are not included on the Balance Sheet of the lessee.

Property, Plant and Equipment (PPE)

These are non-current assets used directly to deliver the Council's services. The assets comprise land, buildings and plant with a carrying value in the Balance Sheet based on current value in use. PPE also includes equipment like vehicles, which are valued at historic cost.

Precept

The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the Council on their behalf through the Council Tax.

Prior Year Adjustments

Material adjustments applicable to prior period, arising from changes in accounting policies or from other corrections.

Private Finance Initiative (PFI)

A central government initiative that enables authorities to carry out capital projects through partnership with the private sector.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Prudential Code

The Code ensures that authorities borrow only for capital purposes and that they borrow responsibly and at affordable levels. Authorities demonstrate compliance with the code by setting and observing a range of prudential indicators covering the level of capital expenditure, the cost of borrowing and level and structure of its debt.

Related Parties

Individuals, or bodies, who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure

Expenditure on the day-to-day running costs of services, such as the costs of employees, premises, supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Amounts properly incurred as capital expenditure, but where no Council asset is created. They are mainly grants or loans made to individuals or organisations for capital purposes, such as improvement grants.

Revenue Reserve

Any sum set aside for a specific revenue purpose.

Revenue Support Grant (RSG)

A general government grant towards the cost of providing services.

Subsidiary

A company or body over which the Council has control or has the right to exercise dominant influence (see also Group Accounts).

UKGAAP

UK Generally Accepted Accounting Principles. This is a framework of accounting standards for financial reporting standards, which have been replaced by International Financial Reporting Standards from 2010-11 onwards.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance & IT to the meeting of Governance and Audit Committee to be held on 23rd September 2021

M

Subject:

The CIPFA Financial Management Code

Summary statement:

This report highlights the requirements of the Financial Management Code, how the Council currently meets those requirements and further improvements or actions which may be implemented.

EQUALITY & DIVERSITY:

There are no direct implications for equality and diversity arising from this report. It concerns the compliance of the Council against the requirements of the Financial Management Code.

Chris Chapman
Director of Finance & IT

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Portfolio:
Corporate

Overview & Scrutiny Area:

Corporate

1. SUMMARY

CIPFA issued its Financial Management Code which aims to drive financial management improvements and consolidate good practice in local authorities in October 2019. The code will come fully into effect from 2021/22. Compliance with the Code will be the responsibility of not just the Director of Finance & IT but also the corporate leadership team and elected members (including Governance & Audit Committee).

The Code sets out a series of financial management standards identifying the professional standards needed, if a local authority is to meet the minimal standards of financial management acceptable to meet fiduciary duties to taxpayers, customers and lenders. Since these are minimum standards, CIPFA's judgement is that compliance with them is obligatory if a local authority is to meet its statutory responsibility for sound financial administration. Beyond that, CIPFA members must comply with it as one of their professional obligations.

It should be noted that the Financial Management Code provides a framework for the coordination of the existing CIPFA guidelines which the Council already complies with. It is not envisaged that there will be significant change but some improvements will be made and assurances identified.

2. BACKGROUND

CIPFA, the Chartered Institute of Public Finance and Accountancy, issued a consultation paper early in 2019 on a proposed new Financial Management Code, which aims to drive improvement in financial management for all local authorities in the United Kingdom.

The Code was published in October 2019 and provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

Complying with the Code will strengthen the framework that surrounds financial decision making.

The Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as, The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom, the role of the Chief Financial Officer and the joint guidance with SOLACE on Delivering Good Governance in Local Government

The Code applies to all local authorities, including police, fire and other authorities. The code applies to the West Yorkshire Pension Fund.

By following the essential aspects of the Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions. The first full year of compliance will be 2021/22. This reflected the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

The Governance and Audit Committee and External Audit are key components of the Council's financial assurance protections. They have a key role in receiving reports and explanations which determine the Council's compliance with guidance and regulations.

Council Performance against the Code

The appendix details a self-assessment against the Financial Management Standards within the Code and identifies areas which the Director of Finance & IT in conjunction with the Council leadership team will be examining to assess opportunities for further improvement.

The self-assessment provides strong assurance of compliance against the requirements of the Code.

In liaison with West Yorkshire colleagues we are planning to undertake a peer review of each other's codes, to provide additional validation.

The main areas where further consideration will be given to further enhance financial governance and performance against Financial Management Requirements are outlined in the self-assessment included at Appendix 1. No material gaps are identified; the proposals will enhance assurance as part of continuous improvement processes.

4. FINANCIAL & RESOURCE APPRAISAL

There are no direct financial implications arising from this report. Proposals will further enhance financial governance.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

There are no significant risks arising out of the implementation of the proposed recommendations. The proposals within the report will strengthen financial governance processes and consequently reduce risk.

6. LEGAL APPRAISAL

There are no specific legal issues arising from the report.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

Compliance with the CIPFA Financial Management Code assists the Council in defining outcomes in terms of sustainable economic, social, and environmental benefits The Council can take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the intended outcomes and short-term factors such as the political cycle or financial constraints

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

There are no specific issues arising from the report.

7.3 COMMUNITY SAFETY IMPLICATIONS

There are no specific issues arising from the report.

7.4.1 HUMAN RIGHTS ACT

There are no specific issues arising from the report.

7.5 TRADE UNION

There are no specific issues arising from the report.

7.6 WARD IMPLICATIONS

There are no specific issues arising from the report.

7.7 IMPLICATIONS FOR CORPORATE PARENTING

There are no specific issues arising from the report.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

There are no specific issues arising from the report.

9. OPTIONS

The Code does not prescribe the financial management processes that local authorities should adopt but requires that it demonstrates that it satisfies the principles set out in the Code. The Council therefore has to satisfy the principles but there will be different options about how it achieves that. The self-assessment and proposed actions set out the recommended improvements to strengthen overall financial governance and performance against the Code.

10. RECOMMENDATIONS

- To note the contents of the CIPFA Financial Management Code.
- To note the self-assessment against the Code requirements
- To agree the further improvements and actions which will be made in order to demonstrate that the Council continues to satisfy the requirements of the Code, and strengthens assurance even further.

11. APPENDICES

Appendix 1: Self-Assessment against the CIPFA Financial Management Code

12. BACKGROUND DOCUMENTS

CIPFA Financial Management Code

A list of Key Documents relevant to the Code and providing evidence of the Council compliance, and providing assurance for Governance & Audit Committee include:

1. Treasury Management Strategy 2020/21
2. Annual Treasury Management Report
3. Treasury Management Policy Statement, Minimum Revenue Provision Strategy and Annual Investment Strategy 2020/21
4. Treasury Management Mid Year Report
5. Medium Term Financial Strategy update, 2020/21 to 2022/23 8.8.2020
6. The Council's Revenue Estimates for 2021/22
7. The Council's Capital Investment Plan for 2021/22 to 2024/25
8. Allocation of the Schools' Budget 2021/22 Financial Year
9. 2021/22 Budget Proposals and Forecast Reserves – Section 151 Officer Assessment
10. Budget Update 2021/22
11. Medium Term Financial Strategy update, 2020/21 to 2022/23 8.8.2020
12. Statement of Accounts 2019/20
13. QTR 3 Finance Position Statement for 2020/21
14. Full-Year Performance Report 7th July 2020
15. Amendments to the Constitution – Contract Standing Orders and Financial Regulations
16. Annual Governance Statement 2019/20
17. Annual Governance Statement Review
18. AGS Overall Assurance Statement v2 19.4.18
19. CBMDC Audit Completion Report – External Audit
20. Internal Audit Plan
21. Internal Audit Annual Report 2019/20
22. Half Year Internal Audit Monitoring Report
23. Internal Audit Peer Review February 2018

Appendix 1: Self-Assessment against the CIPFA Financial Management Code

Financial Management Standard	Examples of how we comply	Potential Areas for Improvement/ Action
A. The leadership team is able to demonstrate that the services provided by the authority provide value for money.	• External Audit VFM Conclusion as part of their annual review • All reports have Financial Appraisal • Inspection results from external bodies, eg Ofsted, CQC • Self-Assurance Statement • Benchmarking exercises with comparator organisations • Compliance with Financial Regulations and Standing Orders for Contracts • Internal Audit and associated Audit Plan	• The Director of Finance & IT in conjunction with Project Appraisal Group has implemented a project closure reporting process for major capital schemes and other major projects, this is in infancy and will be developed further. • Greater use of benchmarking to assess VFM will be considered.
B. The authority complies with the CIPFA *Statement on the Role of the Chief Finance Officer in Local Government.*	• The Director of Finance & IT (CFO) has reviewed his role as specified by the CIPFA Statement and is satisfied that it meets its requirements. • It is noted the CFO sits on the Chief Execs Mgt Team	• No further action proposed at this stage
C. The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	• Annual Governance Statement is completed with CMT engagement • Risk Register is produced and reported quarterly • Financial Regs and Contract Standing Orders are reviewed annually • Internal Audit Plan produced and reported to GAC • Governance & Audit Ctee has clear role • Letter of Representation • AD Assurance Statement completed annually	• No further action proposed at this stage

Financial Management Standard	Examples of how we comply	Potential Areas for Improvement/ Action
D. The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).	• Council's Annual Governance Statement produced and kept under review • New Assurance Process implemented to support the Governance and Audit Committee • Compliance Review on Delivering Good Governance in Local Government.	• Review of effectiveness of the Governance & Audit Committee against latest CIPFA guidance.
E. The financial management style of the authority supports financial sustainability.	• MTFS - Annually refreshed 4-year forward view of Council Finances, Key risks. MTFS updated to reflect budget changes as part of budget setting process • Qtrly Finance Position Statements (4 Qtrs & Outturn) reported to the Executive - Reports focus on high risk material exceptions, mitigating actions. They also incorporate a Budget Savings & Investments Tracker which reports on the progress of delivering savings/investments. Reports also incorporate relevant activity, performance and outcomes data. Reports also incorporate Capital financial data, Reserves statements, Collection Fund updates and Risk Register	• No further action proposed at this stage
F. The authority has carried out a credible and transparent financial resilience assessment.	• The CIPFA Financial Resilience has been revised in the past 2 years and reported to CMT (last report 3rd March 2021) • A comprehensive Section 151 Report on the robustness of the proposed budget, the adequacy of forecast levels of reserves and associated risks is included alongside the Revenue Budget and reported to Executive in February. This report incorporates a commentary on the CIPFA Financial Resilience data. • A s151 statement is included with opposition	• The Director of Finance & IT will continue to monitor the financial resilience index and make recommendations to CMT (and Members as appropriate) where further action is required particularly in respect of the level of the Council's reserves.

Financial Management Standard	Examples of how we comply	Potential Areas for Improvement/ Action
	party budget proposals	
G. The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	• MTFS reported to members annually with a 4 year forward view. • Capital Plan that is approved annually provides members with a 4 year forward view, and revenue implications of capital financing are reflected in MTFS. • Reserve levels reported to Members on a quarterly basis, and adequacy of reserves reported through S151 assessment • Budget Monitoring / Qtrly reporting – A balanced budget is set each year.	• Director of Finance & IT will keep under review the timing of MTFS updates to Executive aligned to central government funding announcement.
H. The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities*	• Capital Strategy; Investment Strategy and Treasury Management Strategy are all agreed by the Executive, and are all compliant with the Code. Compliance is also subject to External Audit.	• No further action proposed at this stage
I. The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	• MTFS produced • Service Plans all produced and aligned to Council Plan • Council Plan produced and kept under review • Performance reporting against Council Plan, including KPI reporting	• No further action proposed at this stage
J. The authority complies with its statutory obligations in respect of the budget setting process.	• The Budget process includes full consultation including EIA • Council Tax base report; Schools budget report; Revenue budget and Capital budget all reported through Executive • Budget proposals and Opposition party	• No further action proposed at this stage

Financial Management Standard	Examples of how we comply	Potential Areas for Improvement/ Action
	proposals and full s151 commentary reported through Full Council	
K. The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	• A comprehensive Section 151 Report on the robustness of the proposed budget, the adequacy of forecast levels of reserves and associated risks is included alongside the Revenue Budget and reported to Executive in February. • Quarterly budget monitoring reports are presented to Executive; these include a statement on reserves	• No further action is proposed at this stage
L. The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	• The Council consults on core documents such as the Council Plan; Local Plan; Economic Strategy. These have an intrinsic link to the formation of budget decisions. • The Council consults with a wide range of stakeholders on its budget proposals and the MTFS is available publically. • The Schools Forum is consulted upon regarding the allocation of schools budgets. • The Health & Wellbeing Board and Children's Safeguarding Board are consulted upon and decisions inform future budgetary considerations	• The Council will continue consulting with key stakeholders and will seek to bring consultation and engagement forward to inform budget planning. • Improved consultation on budget proposals is also being sought with key partner organisations such as the CCG.
M. The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	• Project Appraisal Group assesses Capital projects via a structured scoring system prior to approval by the Executive via Qtrly Finance Reports. • Revenue budget decisions assessed by CMT, prior to recommendations to the Executive. • All reports include Finance sections.	• No further action is proposed at this stage

Financial Management Standard	Examples of how we comply	Potential Areas for Improvement/ Action
	• A Sustainable Growth Board has been introduced to enhance strategic decisions • A Revolving Seed Fund has been implemented to support Project Appraisals.	
N. The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	• Qtrly Finance Reports • CMT Reports • Risk Reports • SMT,DMT,CMT, Exec reporting process (RAG ratings) • Power BI suite of reports, enable all Council budget holders/ service managers to access up to date financial information any time on a self-serve basis, underpinned by periodic meetings with Finance colleagues. The frequency of meetings determined based on risk and materiality.	• Further expansion of Power BI suite of reports/ further embedding of use to enhance decision making. • Further expansion of section in Qtly Finance Reports about other items not currently factored into forecasts (to enable discussion and potential mitigating activity)
O. The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	• The intended use of reserves to support the budget is included within quarterly monitoring reports. The overall level of reserves and their planned use is reviewed each year as part of the outturn, MTFS and budget processes. • The Capital Strategy and Investment Strategy are reported annually; these reports include reporting upon Prudential Indicators • The Statement of Accounts is reported to the Governance & Audit Committee • Quarterly Budget Monitoring reports are reported to CMT; Executive and Overview & Scrutiny Committee. • Other aspects of the Balance Sheet are subject to review within the Finance team	• We will continually review the adequacy of information about planned and unplanned use of reserves in the monitoring reports. • We will also review whether other parts of the Balance Sheet should be reported more frequently rather than managed internally within finance – eg Debts and Liabilities, Provisions.

Financial Management Standard	Examples of how we comply	Potential Areas for Improvement/ Action
P. The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom.*	• The statutory financial statements are prepared by appropriately qualified and skilled accountancy staff within the overall governance and control process and are approved by the Director of Finance & IT and the Council's external auditors prior to submission to Governance & Audit Committee • Roles and responsibilities are assigned within the Finance Team and reviewed periodically • Training is provided against key roles and on specific tasks • The Finance Team are appropriately qualified and expected to personally comply with the CPD requirements of their professional body	• Recent turnover combined with the relatively small size of the finance team has highlighted a reliance upon the expertise upon key individuals. We will be reviewing our workforce development plan and resilience based on our dependence upon key individuals and ensuring effective procedural / guidance notes are in place for key tasks
Q. The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	• Yes – outturn report • Qtrly reporting through to MTFS. • The outturn report, and other Qtrly reports to Executive highlight key variances/ exceptions with accompanying analysis of costs, activities, outputs etc and mitigating actions. – For example overspends in Children's Services and Waste Services with accompanying analysis provided the justification for required additional budget investment in the MTFS and subsequent 2021-22 budget.	No further action is proposed at this stage

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of the Governance and Audit Committee on Thursday 23rd September 2021

N

Subject: Annual Governance Statement 2020-2021

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 2020-21 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. 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 2020-21 to accompany the Council's Statement of Accounts**.**

2. 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. CIPFA also issued additional guidance in February 2021 CIPFA Bulletin 06. This required an assessment of Compliance with CIPFA's Finance Management Code to demonstrate the financial resilience of the Council and how the Council was to embed enhanced standards of financial management. The statement also needed to consider the impact of Covid-19 on Governance Arrangements such as

- Adaptations to reflect new ways of working and emergency arrangements
- Changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities
- Longer-term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the organisation and the local area.

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. 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 seven 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
- Scrutinising the annual managers' governance assurance responses
- 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 CIPFA Financial Management Code

The CIPFA Financial Management Code was published in October 2019 and provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

Complying with the Code will strengthen the framework that surrounds financial decision making. The Code applies to all local authorities, including police, fire and other authorities. The code applies to the West Yorkshire Pension Fund.

By following the essential aspects of the Code, the Council provides evidence to show it meets important legislative requirements. The first full year of compliance will be 2021/22. This reflected the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

The Governance and Audit Committee and External Audit are key components of the Council's financial assurance protections.

A self-assessment against the Financial Management Standards within the Code was completed by the Director of Finance & IT in conjunction with the Council leadership team. This also assessed opportunities for further improvement and was shared with Governance and Audit Committee

The self-assessment provided strong assurance of compliance against the requirements of the Code. No material gaps were identified and some improvement proposals were recommended as part of continuous improvement processes. In liaison with West Yorkshire colleagues Bradford is planning to undertake a peer review of each other's codes, to provide additional validation.

3.4 Governance Implications of Council Response to Covid

The Council was required to respond to Covid in two ways. The first was in respect of service delivery and putting in place the services that the community required to deal with the Pandemic. The second was ensuring that the Council put in arrangements that conformed with Covid safeguards but maintained appropriate standards of governance. The annual governance statement focuses on the second area of response with the need for remote working and virtual Council meetings along with the emergency management structures that were needed and assisted the delivery of new statutory functions. It should be noted that whilst the scale of the response was immense, it was achieved within the Council's existing rules and regulations.

3.5 Management Assurance Questionnaire

In 2020/21 the Council implemented a new self assurance process for managers on their compliance with key governance issues. This replaced the previous system of key control questionnaires which was largely focused on financial systems The new process covered the following areas

- Employee Code of Conduct
- Whistleblowing
- Harassment and Bullying
- Gifts and Hospitality
- Safeguarding
- Risk Management
- Information Governance
- Internal / External Assessments
- Partnership Working
- Constitution and Decision Making
- Health and Safety
- Financial Systems
- Contract Procedure Rules
- Business Impact Analysis / Business Continuity Arrangements
- Sickness

- Conflicts of Interest
- Corporate Parenting

The questionnaire was required to be completed by each 4th tier officer and the responses reviewed centrally and within the department. Approximately one hundred replies were received. Management responses are key supporting evidence for Strategic Directors assurances. The coverage of the management assurance survey has been encouraging and the Council has now got a baseline in respect of governance compliance.

This approach is similar to the assurance process currently operated by Schools which has been successful in improving governance. However in order to strengthen the level of assurances it is important that service managers engage with the process and take professional care when completing the returns including providing supporting evidence. Internal Audit will provide a level of check on these returns however due to the time limitations this will not be as comprehensive or experienced based as the scrutiny provided for Schools. Future training and advice will also be provided where required to develop and improve the process in 2021/22. Strategic and Assistant Directors will retain the overall responsibility for the assurances made from their Department.

There were no significant changes to other sources of evidence such as the fraud risk assessments and letters of representation. This proposal has been endorsed by the Council Management Team

4 Conclusion of the Annual Review for 2020-21

4.1 Whilst the outcome of the review of effectiveness provided the necessary assurance for Council Services the issues raised in last year's statement with the requirement to improve Children's Safeguarding services has not been resolved satisfactorily and continues to be a significant governance weakness.

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 There are two governance issues concerning the Ofsted review and the integration of health and social care systems which were highlighted in 2020/21 and will continue to be monitored in 2021/22.

5.2 There are two further areas of concern relating to the shortage of professional and skilled staff within the employment market leading to recruitment difficulties to key posts and the increase in elective home schooling over the past two years.

5.3 The Council's response to the COVID crises remains core to the Council's approach to governance and will also be monitored through the 2021/22 financial year. A review of the Governance Arrangements operating through the lockdown period is being completed.

6. 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 June 2021.

7. 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. Risk Management and Governance Issues

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

9. 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. 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. Not for publication documents –

None

12. 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 2020-2021.

13. Appendix 1: Annual Governance Statement 2020-21

14. Background documents

Accounts and Audit Regulations 2015
CIPFA/Solace Delivering Good Governance in Local Government Framework 2016
Statement of Accounts
Guidance – CIPA Bulletin 06: Application of the Good Governance Framework 20-21

Appendix 1

DRAFT ANNUAL GOVERNANCE STATEMENT 2020-21

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 2021 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

In March 2020 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: This incorporated the West Yorkshire Local Resilience Forum, District Gold Command, The Public Service Executive Council, Gold Command, District Silver Command and Council Silver and Bronze arrangements. 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

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. Regular financial monitoring took place to ensure the Council's financial position was protected at the same time as facilitating the delivery of mainstream and pandemic specific services.

The Council's Executive met 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. However protocols for remote meetings and key meetings of the Council were developed and implemented.

The Council's Management Team continued to keep risk under on-going review and to monitor the impact of COVID through intelligence on the ground and a fortnightly dashboard of key indicators. The management team met together three times a week to share information, intelligence and plan ahead and fortnightly with the Council's Executive to ensure that they were aware of key trends and on-going and emerging risks. A new Council Plan was agreed setting out key objectives for the period 2021-25 which include plans for life alongside the virus and for building a better future beyond it.

The Coronavirus Act 2020 was 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 was issued after that date The Act temporarily modified duties and powers relating to social care, mental health, registration of deaths, inquests, the regulation of investigatory powers, gatherings, meeting and events, the postponement of elections, virtual local authority meetings and protection from eviction. Other changes to existing legislation and statutory guidance were monitored by Legal Services

The Council continues to support the coordination of testing and vaccination activity including communications and key messaging Since the 19th July 2021 the Council has looked to ensure a safe emergence from restrictions and to the implementation of plans for social and economic recovery. Legal restrictions were lifted in favour of "cautious guidance" and a focus on personal responsibility. Decision making will continue to be underpinned by available evidence and data on infection rates, admissions, deaths and the social and economic impact. A Daily Public Health update continues to be circulated to key decision makers.

Key factors for consideration include:

- On-going impact of COVID on demand for Council services, on financial resources.
- Equalities – COVID has had a disproportionate impact on particular groups of people.
- Workforce capacity due to fatigue and backlogs of leave built up over the pandemic
- Need to continue to encourage vaccination
- On-going risk management approach to working practices including risk assessments, masks in public places, 1m distancing for furniture, messaging and review of risk assessments for frontline staff.
- Support to businesses / leisure / events.
- Potential for disorder as large groups of people gather.

The Council's Management Team (CMT) continues to meet twice weekly including a Monday morning briefing on the current position regarding infections, hospitalisations etc. CMT is the key forum for consideration of risk against the delivery of the Council Plan 2021-25 and the Economic Recovery Plan. The Council has worked with partners on the Health and Well Being Board to develop a District Plan which sets out the key priorities of the District's main partnerships. A forward plan is in place for Joint Leadership Team (JLT), the Council's Executive Councillors and Senior Management to consider progress against priority outcomes. the implementation of recovery plans and on-going developments in relation to the virus and any national guidance or legislation.

While the full impact of COVID has yet to emerge we know that it has widened and amplified existing inequalities hitting the poorest, the most vulnerable and BAME communities the hardest. Youth unemployment is the highest in the country and the overall unemployment rate is a third higher than the national rate. A new Equalities Plan and new equalities objectives have been agreed. These aim to put equalities at the heart of the Council's leadership, its workforce development, delivery of services and work in communities.

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 and provide a fraud risk assessment.

In 2020/21 the Council implemented a new self assurance process for managers on their compliance with key governance issues. This replaced the previous system of key control questionnaires which was largely focused on financial systems The new process covered the following areas

- Employee Code of Conduct
- Whistleblowing
- Harassment and Bullying
- Gifts and Hospitality
- Safeguarding
- Risk Management
- Information Governance
- Internal / External Assessments
- Partnership Working
- Constitution and Decision Making
- Health and Safety
- Financial Systems
- Contract Procedure Rules
- Business Impact Analysis / Business Continuity Arrangements
- Sickness
- Conflicts of Interest
- Corporate Parenting

In December 2017, the Council agreed a revised Code of Corporate Governance to incorporate new guidance from CIPFA and SOLACE. The new management assurance process established a baseline for the level of compliance with the Council's code.

The CIPFA Financial Management Code was published in October 2019 and provides guidance for good and sustainable financial management in local authorities and will provide assurance that authorities are managing resources effectively. A self-assessment against the Financial Management Standards within the Code was completed by the Director of Finance & IT in conjunction with the Council leadership team. This showed strong levels of compliance but also assessed opportunities for further improvement.

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 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 issues raised in last year's statement with the requirement to improve Children's Safeguarding services has not been resolved satisfactorily and continues to be a significant governance weakness.

In relation to Safeguarding Vulnerable Children the Council has made

- Ongoing efforts to recruit and retain permanent experienced social workers and managers.
- Ensuring that training induction for new starters is of a consistently high quality, so that expected standards of casework and case management can be met and maintained.
- Work is ongoing to understand imbalances in social work caseloads across the service and to ensure that these are addressed and levelled as appropriate.

However, there remain significant challenges in workforce stability, which have led to too many cases having multiple changes of social worker, leading to issues of poor quality and lack of consistency at handover. Some mitigating processes, involving managers and Practice supervisors (who would not normally hold the case allocation) have been necessary in certain cases to ensure quality is maintained.

The latest Ofsted Monitoring visit was concluded on 28 April 2021 with the findings reported in June. This noted that:

"The local authority is starting to make progress in improving services in some specific areas. However, the progress on the quality of core social work practice has been too

slow to show impact for children and families. This has been exacerbated by the breadth of the inadequacy and maintaining service delivery during the pandemic"

Additionally, Safer Bradford has published the 'Emily' Serious Case Review. This poses serious concerns about the efficacy of some multi-agency practice in respect of Child in Need and CP Plans, the effectiveness of multi-agency meetings and effective information sharing, picking up early signs of neglect, the need to take a holistic overview of a series of reports of neglect and domestic abuse rather than them being treated as separate instances, and the effectiveness of care planning and reviewing as being focused on improving the lived experience of the child.

There are emerging issues in terms of management capacity and emerging outcomes within our children's homes service that require urgent interim action to ensure that the service is stabilised and can progress satisfactorily.

These persistent and ongoing concerns in respect of the perceived insufficient pace of change have resulted in a letter from Vicky Ford MP, Minister for Children and Families, informing us that she is minded to change the Children's Services Notice to Improve to a Statutory Direction and appoint an independent commissioner to review progress and evaluate further capacity to improve services in a timely way. It is not yet clear what the detailed arrangements for this, or the possible outcomes will be, but the ultimate outcome could be the creation of a Children's Social Care Trust to elicit improvement at the pace required.

5. Further 2021/22 Governance Challenges

The Council has specifically recognised three additional challenges that will be monitored through 2021/22. These are the integration of health and social care, skills shortage and elective home education

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

The Council has worked even more closely with the NHS during the 2020/21 pandemic year, responding to different demand patterns, protecting people from the virus and integrating services in different ways. Our shared health and care strategy 'healthy, happy and at home' is signed up to by all partners and forms the basis for our joint working.

The Wellbeing Board has been renewed over the past year to broaden its agenda to cover all of the wider determinants of health including employment, economy, housing, education and skills – and health and care. This has put Bradford in a better position to respond to the proposed NHS legislation on Integrated Care Systems and Partnership governance.

The Council has actively participated in Bradford's emerging Integrated Care Partnership, communicating the 'Act as One' brand to its staff, updating the Strategic Partnering Agreement and leading on a number of joint work streams. We are represented at all strategic partnership boards and committees.

Previous disputes around contributions to the Better Care Fund have all been fully resolved and an agreed BCF plan for 2021/22 was submitted to deadline.

A Joint Commissioning and Planning Forum between the council and the NHS now meets monthly to share respective commissioning intentions and jointly plan future models of care. This includes a population health focus with Public Health and Children's collaboration and our early help and locality working operating model.

5.2 Key Staffing Skills

There is a shortage of professional and skilled staff within the employment market leading to recruitment difficulties to key posts. Inability to recruit in key disciplines could have a significant impact on the Councils ability to deliver services and support the Council's ambitions within the financial resources available.

5.3 Elective Home Education

There has been an acceleration in the growth of elective home education This increases the risk of losses in education and subsequent learning gaps for pupils, lack of opportunities to socialise, potential impact on mental health, decline in school budgets to meet these needs given additional pressures and loss of earnings for Council commercialised services. In 2020/21 this was further exacerbated with further risk to long term learning outcomes for Children & Young people caused by the need to work in bubbles and the need to self-isolate.

6. 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.

The risk register and operational results were reported to the Joint Advisory Group on the 29 July 2021. The reports were noted with no significant issues. At the meeting a number of positive commendations on the WYPF performance were made.

7. 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