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Agenda for a meeting of the Governance and Audit Committee to be held on Thursday, 23 March 2023 at 10.30 am in Committee Room 1 - City Hall, Bradford

Members of the Committee – Councillors

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Tait **Thornton** **Godwin**	**Felstead**	**Griffiths**

Alternates:

LABOUR	CONSERVATIVE	LIBERAL DEMOCRAT
Slater **Azam** **Cunningham**	**Pollard**	**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 that agenda item.

From:
Asif Ibrahim
Director of Legal and Governance
Agenda Contact: Kav Amrez
Phone: 07929 070288
E-Mail: kanwal.amrez2@bradford.gov.uk

A. PROCEDURAL ITEMS

1. ALTERNATE MEMBERS (Standing Order 34)

The Director of Legal and Governance will report the names of alternate Members who are attending the meeting in place of appointed Members.

2. DISCLOSURES OF INTEREST

Members Code of Conduct – Part 4A of the Constitution)

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

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

Notes:

(1) Members must consider their interests, and act according to the following:

Type of Interest	***You must:***
Disclosable Pecuniary Interests	*Disclose the interest; not participate in the discussion or vote; and leave the meeting unless you have a dispensatior*
Other Registrable Interests (Directly Related) ***OR*** *Non-Registrable Interests (Directly Related)*	*Disclose the interest; speak on the item only if the public are also allowed to speak but otherwise not participate in th discussion or vote; and leave the meeting unless you have a dispensatior*
Other Registrable Interests (Affects) ***OR*** *Non-Registrable Interests (Affects)*	*Disclose the interest; remain in the meeting, participate and vote unless the matter affects the financial interest or well-being*

(a) to a greater extent than it affects the financial interests of a majority of inhabitants of the affected ward, and

(b) a reasonable member of the publi knowing all the facts would believe th

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

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

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

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

3. MINUTES

Recommended –

That the minutes of the meeting held on 26 January 2023 be signed as a correct record.

(Kanwal Amrez – 07929 070288)

4. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

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

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

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

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

(Kanwal Amrez – 07929 070288)

B. BUSINESS ITEMS

5. TREASURY MANAGEMENT STRATEGY 2023-24

The Director of Finance and IT will submit **Document "AC"** which reports on the Council's 2023-24 Treasury Strategy and Prudential Indicators.

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy - The first, and most important report is forward looking and covers:

- The capital plans, (including prudential indicators);
- A minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
- The treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- An investment strategy, (the parameters on how treasury investments are to be managed).

Recommended –

That the report Document "AC" be noted and referred to full Council for adoption.

(Colin Standish - 01274 432361)

6. AUDIT COMPLETION REPORT 2021/22

The External Auditor will present **Document "AD"** which summarises the findings from the audit of the City of Bradford Metropolitan District Council for the year ended 31 March 2022.

Recommended –

That the Committee is asked to:

- **note the contents of the Audit Completion Report prior to approving the Statement of Accounts and**
- **approve the letter of representations requested at Appendix A.**

(Nicola Hallas - 07824 086 593)

7. **AUDITED STATEMENT OF ACCOUNTS 2021/2022** 83 - 224

The 2021-22 Statement of Accounts (SOA) have been externally audited and are now presented to the Committee for approval. The External Auditor (Mazars) has reported their findings in a separate Audit Completion Report. Members are asked to consider this before approving the SOA.

The Director of Finance and IT will submit the report **Document "AE"** which presents the Council's 2021-22 audited Statement of Accounts and summarises the key financial points.

Recommended -

That the 2021-22 Statement of Accounts are approved and signed by the Chair of the Committee.

(Rachel Gledhill-Moseley – 07966307065)

8. **COUNTER FRAUD FRAMEWORK** 225 - 262

The Director of Finance and IT will submit report **Document "AF"** which reports on a proposal to introduce a new Counter Fraud Framework from April 2023 and beyond.

Recommended –

That the proposed new Counter Fraud framework and accompanying policies, strategies and plans to enhance the Council's response to fraud and corruption be approved.

(Harry Singh/Tracey Banfield - 07582101209/07582102740)

9. **REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE AND AUDIT COMMITTEE AND CONSIDERATION OF THE APPOINTMENT OF INDEPENDENT MEMBERS TO THE GOVERNANCE AND AUDIT COMMITTEE** 263 - 280

The Director of Finance and IT will submit report **Document "AG"** which provides a review of the level of compliance by the Council's Governance and Audit Committee (GAC) with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022 position statement on Audit Committees in Local Authorities and the Police. The report also covers the GAC's specific responsibilities in relation to the West Yorkshire Pension Fund (WYPF).

Recommended –

(1) That the Governance and Audit Committee agree to implement the options from 12.1.1 to 12.1.4 as detailed in

Document "AG"

(2) That the Governance and Audit Committee recommend to Council that Article 9 of the Council's constitution be amended so that the composition of Governance and Audit Committee includes 2 Independent members, subject to a recruitment process;

(3) That the Governance and Audit Committee recommend to Council that the recruitment process of the Independent Members be delegated to the Director of Finance and IT in consultation with the Chair of Governance and Audit Committee.

(Mark St Romaine – 01274 432888)

10. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) LOCAL PENSION BOARD MEETINGS HELD 18 OCTOBER 2022 281 - 296

The Managing Director of West Yorkshire Pension Fund will submit **Document "AH"** which reports on the minutes of the WYPF Pension Board meeting held on 18 October 2022.

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 Local Government Pension Scheme.

Recommended –

That the minutes of West Yorkshire Pension Fund (WYPF) Local Pension Board meeting held on 18 October 2022 be noted.

(Matt Mott - 07815 476877)

11. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD 26 JANUARY 2023 297 - 308

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

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit "**Document "AI"** which reports on the minutes of the meeting of the WYPF Joint Advisory Group held on 26 January 2023.

Recommended –

That the minutes of the West Yorkshire Pension Fund Joint Advisory Group held on 26 January 2023 be noted.

(Euan Miller – 01274 434517)

12. WEST YORKSHIRE PENSION FUND FUNDING STRATEGY STATEMENT 309 - 380

WYPF must maintain a Funding Strategy Statement in accordance with the Local Government Pension Scheme Regulations 2013. The report of the Director of the West Yorkshire Pension Fund **(Document "AJ")** explains that the statement must be kept under review and, after consultation with such persons as are considered appropriate, make such revisions as are appropriate following a material change in its policy.

It is customary for each Local Government Pension Scheme fund to update its Funding Strategy Statement (FSS) as part of the triennial actuarial valuation process, which needs to be completed by 31 March 2023. Approval of the FSS is required to enable the Rates and Adjustment certificate to be signed by WYPF's Actuary by 31 March 2023 as part of the 2022 valuation process.

Recommended –

That the changes to the Funding Strategy Statement as detailed in Document "AJ" be approved.

(Euan Miller – 01274 434517)

13. EXCLUSION OF THE PUBLIC

Recommended –

That the public be excluded from the meeting during the consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 27 October 2022 and 26 January 2023 because the information to be considered is exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972. It is also considered that it is in the public interest to exclude public access to this item.

14. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 27 OCTOBER 2022

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

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Not for Publication** "**Document "AK"** which reports on the minutes of the meeting of the WYPF Investment Advisory Group held on 27 October 2022.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 27 October 2022 be considered.

(Euan Miller – 01274 434517)

15. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 26 JANUARY 2023

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

In accordance with this requirement, the Director of West Yorkshire Pension Fund will submit **Not for Publication** "**Document "AL"** which reports on the minutes of the meeting of the WYPF Investment Advisory Group held on 26 January 2023.

Recommended –

That the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 26 January 2023 be considered.

(Euan Miller – 01274 434517)

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance to the meeting of the Governance and Audit Committee to be held on 23rd March 2023

AC

Subject:

Treasury Management Strategy 2023-24

Summary statement:

This report shows the Council's 2023-24 Treasury Strategy and Prudential Indicators

Christopher Kinsella
Director of Finance

Report Contact: Colin Standish
Chief Investment Officer
Phone: (01274) 43 2361
E-mail: Colin.Standish@wypf.org.uk

Portfolio:
Corporate Services

Overview & Scrutiny Area:
Corporate Services

1. INTRODUCTION

1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the Council is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

> *"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

1.2 Reporting requirements

1.2.1 Capital Strategy

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

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former.

1.2.2 Treasury Management reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
   - the capital plans, (including prudential indicators);
   - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time);
   - the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
   - an investment strategy, (the parameters on how treasury investments are to be managed).

b. **A mid-year treasury management report** – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

1.2.3 Scrutiny

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Governance and Audit Committee.

1.2.4 Quarterly reports

In addition to the three major reports detailed above, from 2023-24 quarterly reporting (end of June/end of December) is also required. However, these additional reports do not have to be reported to Full Council/Board but do require to be adequately scrutinised. It is proposed this role is undertaken by the Executive Committee as part of the Quarterly Finance Reports.

1.3 Treasury Management Strategy for 2023-24

The strategy for 2023-24 covers two main areas:

Capital issues

- the capital expenditure plans and the associated prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- the policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, Department of Levelling Up Housing and Communities (DLUHC) Investment Guidance, DLUHC MRP Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code.

1.4 Training

The CIPFA Treasury Management Code requires the responsible officer (in Bradford the Director of Finance) to ensure that Members with responsibility for treasury management receive adequate training in treasury management. This especially applies to Members responsible for scrutiny.

Furthermore, a new introduction within the Code for 2023-24 states that they expect "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making."

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. Organisations should consider how to assess whether treasury management staff and board/ council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

As a minimum, authorities should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board/council members.
- Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis."

In further support of the revised training requirements, CIPFA's Better Governance Forum and Treasury Management Network have produced a 'self-assessment by members responsible for the scrutiny of treasury management', which is available from the CIPFA website to download.

Training has been undertaken by Members on the 24th November 2022 led by an external trainer. and further training will be arranged as required. To continue to meet these new requirements an assessment will be made and training will be arranged to meet any training requirement identified during 2023-24.

The training needs of treasury management officers are periodically reviewed. A formal record of the training received by officers central to the Treasury function will be maintained. Similarly, a formal record of the treasury management/capital finance training received by Members will also be maintained.

1.5 Treasury management consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. CAPITAL PRUDENTIAL INDICATORS

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans. These indicators as per the Capital Investment Plan include previous years' actual expenditure, forecast expenditure for this current year 2022-23 and estimates for the next four-year period.

2.1 Capital expenditure and financing

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle.

Table 1: Capital Plan Expenditure

Capital expenditure	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
General Fund	-	-	232	203	76	134
HRA*	-	-	5	10	10	4
Total	104	191	237	213	86	138

*Separate HRA only applies from 01-04-2023

The proposed CIP includes £865m of capital investment in the District (£836m General Fund and £29m Housing Revenue Account). The Executive, at its meeting of November 1 2022, approved the opening of a Housing Revenue Account (HRA) in the financial year 2023-24. The HRA is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services paid for from the general fund. HRA capital expenditure is therefore recorded separately. The HRA business plan is being developed and there will be further updates to the Housing Capital Plan and Prudential Indicators once this has been approved.

The capital expenditure shown above excludes other long-term liabilities, such as Private Finance Initiative (PFI) and leasing arrangements which already include borrowing instruments.

Table 2 below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Table 2: Capital funding

	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Total Capital Spend	**104**	**191**	**237**	**213**	**86**	**138**
Capital Spend not funded from borrowing	70	108	133	121	48	78
Capital spend funded from borrowing	**34**	**83**	**104**	**92**	**38**	**60**

The borrowing need for capital expenditure in 2023-24 is currently expected to be £104m. This will however change if there is a revision to the spending profile of the capital plan.

2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for through a revenue or capital resource, will increase the CFR.

The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

The CFR includes any other long-term liabilities (e.g., PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility by the PFI, PPP lease provider and so the Council is not required to separately borrow for these schemes. The Council currently has £147m of such schemes within the CFR.

Table 3: Capital Financing Requirement

	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Non-HRA	-	-	819	883	893	928
HRA*	-	-	35	37	37	33
Capital Financing Requirement	**709**	**773**	**854**	**920**	**930**	**961**
Movement in CFR		**64**	**81**	**66**	**10**	**31**

Movement in CFR represented by

Net financing need for the year (above)		**83**	**104**	**92**	**38**	**60**
Less MRP/VRP and other financing movements		-19	-23	-26	-28	-29
Movement in CFR		**64**	**81**	**66**	**10**	**31**

*Separate HRA only applies from 01-04-2023

2.3 Liability Benchmark

A third and new prudential indicator for 2023-24 is the Liability Benchmark (LB). The Liability Benchmark, based on current capital plans and cash flow assumptions, therefore gives the Council an indication of how much it needs to borrow, when it is likely to need to borrow, and where to match maturities to its planned borrowing needs. The liability benchmark makes no assumption about the level of future prudential borrowing in unknown capital budgets.

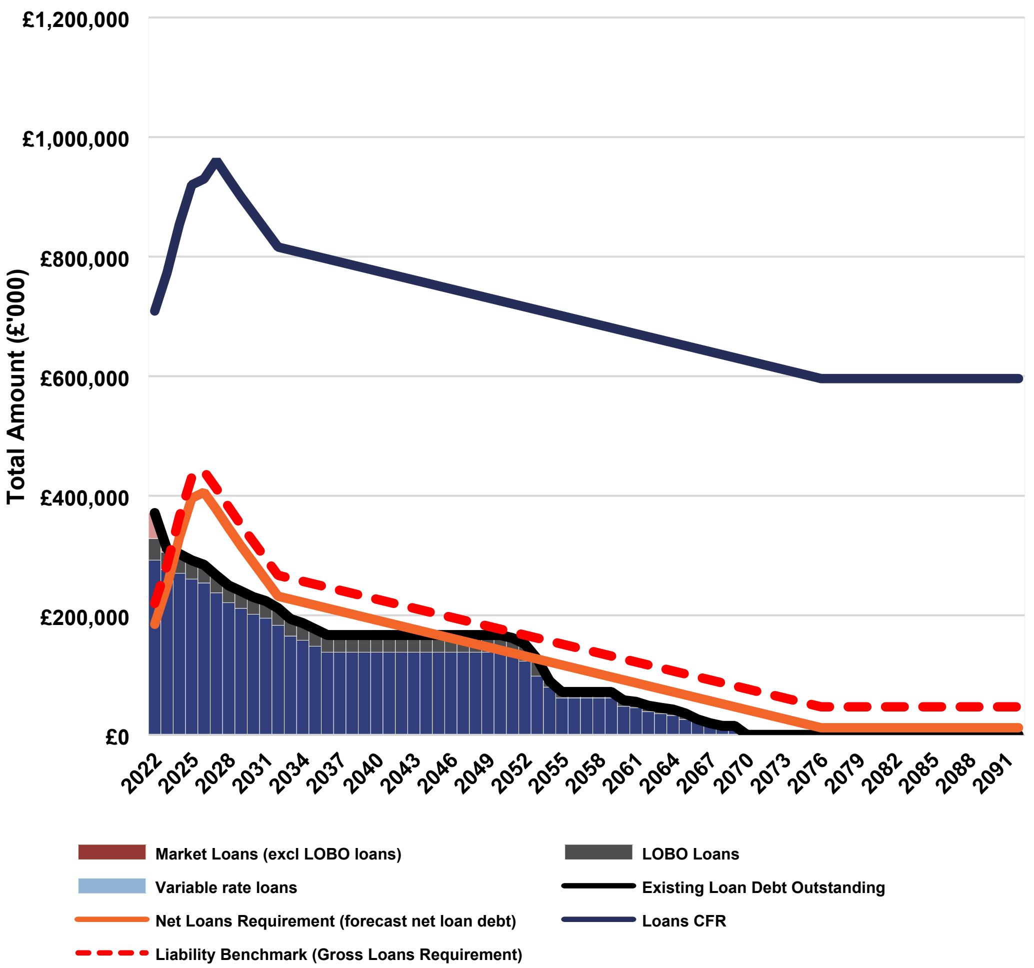
There are four components to the LB: -

1. **Existing loan debt outstanding**: the Council's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.

3. **Net loans requirement**: this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

The purpose of this prudential indicator is to compare the Council's existing loans outstanding against its future need for loan debt; the liability benchmark (the red dotted line). If the loans outstanding are below the liability benchmark (the red dotted line), the existing debt outstanding is less than the loan debt required, and the Council will need to borrow in the future to meet the shortfall. If the loans outstanding are above the liability benchmark (the red dotted line), the Council will have more debt than it needs based on current plans and the excess will have to be invested.

Graph 1 Liability Benchmark



As can be seen from the Council's liability benchmark graph, the loans outstanding, CFR, liability benchmark and net loans requirement broadly follow the same trend lines. Based on the CFR position and loans outstanding at 31st March 2022 we see the Council's under borrowed position. In the next 5 years the CFR increases in line with prudential borrowing expectations to fund increases to the capital programme before gradually starting to decrease. The liability benchmark and net loans requirement also increase to indicate the additional borrowing need before gradually starting to decrease. Existing loans start to decrease as maturities occur and loans are paid back.

Taking into account the current under borrowed position and with no assumptions on future borrowing requirements beyond the current capital programme, the gap between the CFR and loans outstanding remain broadly similar over the term indicted on the liability benchmark graph. When taking into account the liability benchmark and net loans requirement this gives an indication of how much future loan debt may need be taken and on what maturity term to assist with long term planning and reduce risk. Actual future debt taken may not exactly follow the liability benchmark as this is only a guide at a specific point in time, and one of several considerations when drawing down long term debt, to be determined by the S.151 Officer.

2.4 Minimum revenue provision (MRP) policy statement

In accordance with the Local Government Act 2003 the Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the Full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The policy, as approved by Executive 21 February 2023 and Full Council 23 February 2023, is set out in Appendix 2.

An external review of the Council's MRP policy was recently undertaken. The objective of the review was to provide the Council with an independent check that the MRP Strategy and Policy are fit for both the current and future spending plans. It also provides the necessary challenge to ensure that any potential options are not missed when considering the capital financing decisions for new capital expenditure ensuring that the provision remains prudent and compliant with statutory guidance.

Full Council approved the following MRP statement amendment for the 2022-23 and 2023-24 financial years:

- Change the calculation of MRP for supported borrowing from a straight line method to an annuity basis over 36 years (the remaining average life of the overall asset base).

- Change the calculation of MRP for unsupported borrowing from an asset life straight line basis to an asset life annuity basis using an annual weighted average calculation. Estimated asset life periods will be determined under delegated powers.

- Change the calculation of MRP for PFI contracts from an asset life straight line basis to an asset life annuity basis.

The main elements of the policy set out in Appendix 2 are set out below:

- Pre 2008 debt, which cannot be distinguished against specific assets, was being repaid over 50 years on an equal instalment basis. This has been amended from 2022-23 to an asset life annuity basis.

- All other debt and PFI liabilities is amended to be repaid on an annuity asset life basis: as determined by the expected lifespan of each individual asset.

- The policy also provides some discretion to the Section 151 officer in determining debt repayments. However, this is subject to the relevant scheme meeting targets.

- MRP in respect of finance leases will equal the repayment amount for the year.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

3. BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 Current portfolio position

The overall treasury management portfolio as at 31st March 2022 and as at 31st January 2023 are shown below for both borrowing and investments.

Table 4: Treasury Portfolio

	Actual 31 March 2022 £m	**Actual 31 March 2022 %**	**Current 31 January 2023 £m**	**Current 31 January 2023 %**
Treasury Investments				
Banks	103.5	55	20	45.2
Building Societies	0	0	0	0
DMADF (H M Treasury)	5.0	3	0	0
Money Market funds	77.6	42	24.2	54.8
Total Treasury Investments	**186.1**	**100**	**44.2**	**100**
Treasury External Borrowing				
Other	42.6	11	36.7	9
PWLB	292.3	79	331.8	82
LOBOs	36.2	10	36.2	9
Total external borrowing	**371.1**	**100**	**404.7**	**100**
Net Treasury Investments / (borrowing)	**(185.0)**		**(360.5)**	

The Council's forward projections for borrowing are summarised over. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

The Council is forecast to hold around £594 million of external borrowing and other long-term liabilities as at 31 March 2023. This is analysed in Table 5.

Table 5: Borrowing Projection

	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
External Debt						
Debt at 1 April	334.4	371.1	455.0	546.0	641.0	663.0
Expected change in Debt	36.7	83.9	91.0	95.0	22.0	51.0
Other long-term liabilities (OLTL)	154.9	146.9	139.0	130.5	121.9	112.0
Expected change in OLTL	-8.0	-7.9	-8.5	-8.6	-9.9	-10.5
Actual gross debt at 31 March	**519.6**	**594.0**	**676.5**	**762.9**	**775.0**	**815.5**
The Capital Financing Requirement	709.2	**773.0**	**854.0**	**920.0**	**930.0**	**961.0**
Under / (over) borrowing	**189.6**	**179.0**	**177.5**	**157.1**	**155.0**	**145.5**

Table 5 shows that, based on the capital programme (paragraph 2.1), additional borrowing from PWLB will be required of £91m in 2023-24, £95m in 2024-25 and £22m in 2025-26 if capital programme expenditure matches the anticipated spending profile. The borrowing requirement is a key driver of the borrowing strategy. The timing of any additional borrowing given the amounts indicated in the table above will be closely monitored. Members will recall that capital spending plans have been reprofiled year on year and it is possible that the trend could be repeated in 2023-24 and future years.

The relative mix of future internal and external borrowing will be considered in conjunction with advice from the Council's external treasury management advisor, noting that provision has been made in the updated Council budget plan revenue resource assumptions to accommodate a continued future mix of internal and external borrowing.

Within the range of prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023-24 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

The Council should include within the forecast gross borrowing figures in Table 5, any debt that relates to commercial activities / non-financial investments. The Council has no external debt for commercial activities/non-financial investments included in the gross borrowing figures in Table 5.

Salix Finance Limited provides interest free Government funding to the public sector to improve their energy efficiency, reduce carbon emissions and lower energy bills. The Council has taken the opportunity to secure £19.1 million interest free loans to part fund the £45 million approved street lighting replacement scheme in the Council's approved capital plan. To date, the Council has received £8.6m from Salix and repaid £0.3m.

3.2 Treasury Indicators: limits to borrowing activity

The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.
2. The Council is asked to approve the following authorised limit.

Table 6: Operational Boundary and Authorised Limit

	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m
Operational boundary	840	860	930	940
Authorised limit	860	880	950	960

3.3 Interest Rate Forecast

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 7th February 2022. These are forecasts for certainty rates, gilt yields plus 80 bps.

Table 7: Interest rate Forecast

Link Group Interest Rate View	07.02.23												
	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26
BANK RATE	4.25	4.50	4.50	4.25	4.00	3.75	3.25	3.00	2.75	2.75	2.50	2.50	2.50
3 month ave earnings	4.30	4.50	4.50	4.30	4.00	3.80	3.30	3.00	2.80	2.80	2.50	2.50	2.50
6 month ave earnings	4.40	4.50	4.40	4.20	3.90	3.70	3.20	2.90	2.80	2.80	2.60	2.60	2.60
12 month ave earnings	4.50	4.50	4.40	4.20	3.80	3.60	3.10	2.70	2.70	2.70	2.70	2.70	2.70
5 yr PWLB	4.00	4.00	3.90	3.80	3.70	3.60	3.50	3.40	3.30	3.20	3.10	3.10	3.10
10 yr PWLB	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.50	3.40	3.30	3.30	3.20
25 yr PWLB	4.60	4.60	4.40	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.40	3.40
50 yr PWLB	4.30	4.30	4.20	4.10	3.90	3.80	3.60	3.60	3.40	3.30	3.20	3.20	3.10

- The Link central forecast reflects a view that the Monetary Policy Committee (MPC) will be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened throughout 2022 but the Government's continued policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.
- Further in to future years, Link anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- The Consumer Price Index (CPI) measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.5%). Despite the cost-of-living squeeze that is

still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

- Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure.
- In the upcoming months, the Link forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)
- On the positive side, consumers are still estimated to be sitting on significant excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB RATES

- The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 3.75% to 4.75%.
- Link view the markets as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates include: -

- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).
- **The Bank of England** acts too quickly, or too far, over the coming year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Geopolitical risks,** for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates: -

- **The Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to remain elevated for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate later in the year or in 2024.

- **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.

- Longer-term **US treasury yields** rise strongly if inflation remains more stubborn than the market currently anticipates, pulling gilt yields up higher consequently.

- Projected **gilt issuance, inclusive of natural maturities and QT,** could be too much for the markets to comfortably digest without higher yields compensating.

Borrowing advice: The Link long-term (beyond 10 years) forecast for Bank Rate stands at 2.5%. As all PWLB certainty rates are currently above this level, borrowing strategies will need to be reviewed in that context. Better value can generally be obtained at the shorter end of the curve and short-dated fixed Local Authority to Local Authority monies should be considered. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive whilst the market waits for inflation, and therein gilt yields, to drop back later in 2023.

3.5 Borrowing strategy

The factors that influence the 2023-24 strategy are:

- The movement in CFR as set out in Table 3;
- The interest rate forecasts (set out in Table 7);
- Aiming to minimise revenue costs to reduce the impact on the Council Tax Requirement; and
- The impact of the Council's Capital Programme

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the first half of 2023.

The Chief Financial Officer has the delegated responsibility to arrange such loans as are legally permitted to meet the Council's borrowing requirement and to arrange terms of all loans to the Council including amounts, periods and rates of interest.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023-24 treasury operations. The Director of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.

- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

At the point of acquiring longer term funding consideration will be given to:

- Whether the forecast capital borrowing requirement has reduced or slipped into the following year.
- The forecast changes to levels of reserves/balances, including whether the Council has received funding in advance of spending for capital schemes.

The strategy is to take longer term fixed rate borrowing when opportunities arise in combination with the temporary use of short-term borrowing as required.

The HRA strategy for borrowing will be the same as the borrowing strategy described above for the whole Council. The HRA Business Plan will guide and influence the overall HRA borrowing strategy.

Any decisions will be reported to the appropriate decision-making body at the earliest opportunity.

3.6 Policy on borrowing in advance of need

The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 Debt rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a large difference between premature redemption rates and new borrowing rates.

3.8 New financial institutions as a source of borrowing and / or types of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency.
- UK Infrastructure Bank.

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Approved Sources of Long and Short-term Borrowing

Table 8 is a new requirement for 2023-24 and shows sources of borrowing that the Council may use and whether the related interest rates are fixed or variable.

Table 8: Approved sources of long and short term borrowing

On Balance Sheet	**Fixed**	**Variable**
PWLB	●	●
UK Municipal Bond Agency	●	●
Local Authorities	●	●
Banks	●	●
Pension Funds	●	●
Insurance Companies	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock Issues	●	●
Local Temporary	●	●
Local Bonds	●	
Local Authority Bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance Leases	●	●

4. ANNUAL INVESTMENT STRATEGY

4.1 Investment policy – management of risk

The Department of Levelling Up, Housing and Communities (DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital and Investment Strategies (separate reports that went to full Council 23rd February 2023).

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance").
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code").
- CIPFA Treasury Management Guidance Notes 2021.

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The guidance from the DLUHC and CIPFA places a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

2. Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration, the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

3. Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. This Council has defined the list of types of investment instruments that the treasury management team are authorised to use.
    - Specified investments are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
    - Non-specified investments are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments

which require greater consideration by members and officers before being authorised for use.

5. Non-specified and loan investment limits. The Council has determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified treasury management investments of £20m.

6. Lending limits, (amounts and maturity), for each counterparty will be set through applying the matrix table in paragraph 4.2.

7. Transaction limits are set for each type of investment in 4.2.

8. This Council will set a limit for its investments which are invested for longer than 365 days, (see paragraph 4.4).

9. Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 4.3).

10. This Council has engaged external consultants, (see paragraph 1.5), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.

11. All investments will be denominated in sterling.

12. As a result of the change in accounting standards for 2022-23 under IFRS 9, this Council will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (In November 2018, the MHCLG, concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31st March 2023.

However, this Council will also pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance, (see paragraph 4.5). Regular monitoring of investment performance will be carried out during the year.

4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Director of Finance will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The criteria for providing a pool of high-quality investment counterparties, (both specified and non-specified investments) are:

Table 9: Investment Counterparties

Institution	Amount	Time limit	To qualify as a "specified investment"	Non-UK Country	Short term Investment rating	Long Term investment rating
Bank /Building Society	£30m	2yrs	Less than 1 year	AA-	Requires if available Fitch F1 S & P A-1 Moody's P-1	Moody's Aa3 or Fitch AA- if not available.
Bank /Building Society	£20m	1yr	Less than 1 year	AA-	Requires if available Fitch F1 S&P A_1 Moody's P_1w	Moody's A1 or Fitch A1 if not available
Bank/Building Society	£7m	100 days	Less than 1 year	AA-	Either F1 or S&P A_1	Either Moody's A1
Nat West Bank	£20m	1yr	Less than 1 year	AA-	Council bank/part Government owned	n/a
Treasury Bill/DMO	No limit	1yr	Less than 1 year		n/a	UK Gov. rating
Money Market Fund	£20m	Instant access	Less than 1 year		n/a	Either Moody's AAA Fitch AAA or S&P AAA
Local Authority	£20m	1yr	Less than 1 year	AA-	n/a	n/a

Use of additional information other than credit ratings - Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Creditworthiness - Significant levels of downgrades to Short- and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. However, as economies are beginning to reopen, there have been some instances of previous lowering of Outlooks being reversed.

CDS prices - Although bank CDS prices, (these are market indicators of credit risk), spiked upwards at the end of March / early April 2020 due to the heightened market uncertainty and ensuing liquidity crisis that affected financial markets, they have returned to more average levels since then. However, sentiment can easily shift, so it will remain important to undertake continual monitoring of all aspects of risk and return in the current circumstances. Link monitor CDS prices as part of their creditworthiness service to local authorities and the Council has access to this information via its Link-provided Passport portal.

4.3 Other limits

Due care will be taken to consider the exposure of the Council's total investment portfolio to non-specified investments, countries, groups and sectors.

a) **Non-specified treasury management investment limit.** The Council has determined that it will limit the maximum total exposure of treasury management investments to non-specified treasury management investments as being £20m of the total treasury management investment portfolio.

b) **Country limit.** The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of A1 for the UK and AA- for the rest of the world from Fitch or equivalent. The list of countries that qualify using these credit criteria as at the date of this report are shown in Appendix 4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

4.4 Investment strategy

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e., rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.

- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

Investment returns expectations.
The current forecast shown in paragraph 3.3, includes a forecast for Bank Rate to reach 4.5% in Q2 2023.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, are as follows:

Table 10: Investment earnings rates

Average earnings in each year	Now
2022-23 (remainder)	4.3%
2023-24	4.3%
2024-25	3.2%
2025-26	2.6%
2026-27	2.5%
Years 6 to 10	2.8%
Years 10+	2.8%

For its cash flow generated balances, the Council will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

Investment treasury indicator and limit - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

The Council is asked to approve the following treasury indicator and limit:

Table 11: Upper limit for principle sums invested for longer than 365 days

	2023-24 £m	2024-25 £m	2025-26 £m
Principal sums invested for longer than 365 days	£20m	£20m	£20m
Current investments as at 31-01-2023 in excess of 1 year maturing in each year	£0m	£0m	£0m

4.5 Investment performance / risk benchmarking

This Council will use an investment benchmark to assess the investment performance of its investment portfolio of overnight, 7 day, compounded/ SONIA. The investment average return up to the end of January was 1.7% with average investment balance of £105m.

4.6 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

5. Other considerations

Environmental, Social & Governance (ESG) Considerations

ESG considerations are becoming an increasingly important topic within the investment community. Whilst around two thirds of Councils have declared a "climate emergency" to date, this has not translated into the incorporation of something more formal within their treasury-related investment strategy. The 2021 changes to the CIPFA Treasury Management Code sees ESG incorporated into Treasury Management Practice (TMP) 1, with the inclusion of the wording, 'the organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level".

The Council with advice from its treasury advisor, is looking into the impact of including ESG in TMP 1 and must ensure that there is a clear understanding of what "environmental, social and governance (ESG)" investment considerations actually mean, understanding the ESG "risks" that the Council is exposed to and evaluating how well the Council can manage these risks. Members must note that

ESG is not the same as Socially Responsible Investing and not the same as Sustainable Investing (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return).

FRS 9 – English Local Authorities

The former MHCLG now the DLUHC, enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of International Financial Reporting Standard (IFRS) 9. The override related to the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2023. The intension was to allow Authorities to initiate an orderly withdrawal of funds if required, to mitigate any potential impact following the introduction of IFRS 9.

DLUHC launched an 8-week consultation on the future of the IFRS 9 statutory override from 11 August 2022 to 7 October 2022. The aim of this consultation was to collect the views of Authorities and other stakeholders, and to collect additional information needed to understand the financial risks associated with both continuing the statutory override or allowing reversion to the Code of Practice on Local Authority Accounting. The responses to the consultation have now been considered and Ministers have decided to extend the existing IFRS 9 statutory accounting override for a further 2 years until 31 March 2025. DLUHC will publish the Government’s full response to the consultation early 2023.

6. Financial and Resources Appraisal

6.1 The financial implications are set out in section 1,2,3 and 4 of this report

7. Risk Management and Governance Issues

7.1 The principal risks associated with treasury management are:

<u>Risk: Loss of investments as a result of failure of counterparties.</u>
Mitigation: Limiting the types of investment instruments used, setting lending criteria for counterparties, and limiting the extent of exposure to individual counterparties.

<u>Risk: That the Council will commit too much of its investments in fixed term investments and might have to recall investments prematurely resulting in possible additional costs or new borrowing (Liquidity risk).</u>
Mitigation: Ensuring that a minimum proportion of investments are held in short term investments for cash flow purposes.

<u>Risk: Increase in the net financing costs of the Council due to borrowing at high rates of interest.</u>
Mitigation: Planning and undertaking borrowing and lending in light of assessments of future interest rate movements, and by undertaking mostly long term borrowing at fixed rates of interest (to reduce the volatility of capital financing costs).

<u>Risk: Higher interest rates increase borrowing making it more difficult to self-finance capital schemes. Debt servicing becomes less affordable and less sustainable and crowds out revenue spend.</u>

Mitigation: To pause, delay or defer capital schemes. Also review opportunities to borrow in the future at current interest rates.

Risk: Return on non-treasury investments lower than expected.
Mitigation: Review and analysis of risk prior to undertaking non-treasury investments.

Risk: The Council's Minimum Revenue Policy charges an insufficient amount to the Revenue Estimates to repay debt.
Mitigation: Align the Minimum Revenue Policy to the service benefit derived from the Council's assets.

Risk: Associated with cash management, legal requirements and fraud.
Mitigation: These risks are managed through:

- Treasury Management Practices covering all aspects of Treasury management procedures including cash flow forecasting, documentation, monitoring, reporting and division of duties.
- All Treasury management procedures and transactions are subject to inspection by internal and external auditors. The council also employs external financial advisors to provide information on market trends, credit rating alerts, lending criteria advice and investment opportunities.

Risk: Anticipated borrowing is lower / higher than expected because the 2023-24 capital programme forecast is incorrect. This is explained in more detail below, together with the actions being taken to reduce these risks:
Mitigation: The Council is required to set a balanced budget for its revenue estimates; so in broad terms, income received will match expenditure over the 2023-24 financial year. The 2023-24 revenue estimates cause only temporary cash flow differences, for example when income is received in a different month to when the expenditure is incurred.

However, the 2023-24 capital budget will cause a cash flow shortfall in the long term, which generates a borrowing requirement. While some of the capital budget is funded immediately, mainly with Government grants, other elements are not funded initially, leading to the cash flow deficit that requires borrowing.

Managing borrowing is part of the Treasury Management role. To help in its management, the Treasury Strategy identifies the element within the capital budget that is not funded straightaway, to anticipate the Council's borrowing requirement.

However, when the capital budget is under / overspent, the Council has a lower / higher borrowing requirement than anticipated. This risk is managed in practice because the Council only borrows when there is an actual cash flow shortage. The uncertainty around spend against the capital budget makes cash flow management more difficult. For example, it is less likely that the Council would take advantage of a short-term fall in interest rates, without more certainty around the timing of any borrowing need. Actions that have taken place to manage the risks relating to this uncertainty in the timing of capital spend are: Councillor and Officer challenge sessions on the capital budget; increased scrutiny of the capital forecasts in the quarterly monitoring, and the collection of additional documentation around the critical paths of individual schemes.

8. Legal Appraisal

8.1 Any relevant legal considerations are set out in the report.

9. Other Implications

9.1 Equality & Diversity – no direct implications

9.2 Sustainability implications – no direct implications
9.3 Green house Gas Emissions Impact – no direct implications
9.4 Community safety implications – no direct implications
9.5 Human Rights Act – no direct implications
9.6 Trade Unions – no direct implications
9.7 Ward Implications – no direct implications
9.8 Implication for Corporate Parenting – no direct implications
9.9 Issues arising from Privacy Impact Assessment– no direct implications

10. Not for publications documents
10.1 None

11. Options
11.1 None

12. Recommendations
12.1 That the report be noted by the Governance and Audit Committee and passed to full Council for adoption.

11. Appendices
Appendix 1 Prudential and Treasury Indicators
Appendix 2 Minimun Revenue Provision (MRP) Policy
Appendix 3 Economic Background
Appendix 4 Approved countries for investments
Appendix 5 Treasury Management scheme of delegation
Appendix 6 Treasury Management role of the Statutory Chief Finance Officer (Director of Finance)

Appendix 1

THE CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2022-23 – 2026-27

To facilitate the decision making process and support capital investment decisions, the Prudential Code requires the Council to approve and monitor a minimum number of prudential indicators. These indicators are mandatory and cover affordability, prudence, capital expenditure, external debt and treasury management.

The indicators are purely for internal use by the Council and are not intended to be used as comparators between councils. In addition to this in-year indication, the benefit from monitoring arises from following the movement in indicators over time and the year-on-year changes.

Capital expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
General Fund	-	-	**232**	**203**	**76**	**134**
HRA	-	-	**5**	**10**	**10**	**4**
Total	**104**	**191**	**237**	**213**	**86**	**138**

*Separate HRA only applies from 01-04-2023

Estimates of Capital Financing Requirement

	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Opening Capital Financing Requirement	**699**	**709**	**773**	**854**	**920**	**930**
Increase in borrowing	35	83	104	92	38	60
Less MRP and other financing movements	-25	-19	-23	-26	-28	-29
Closing Capital Financing Requirement	**709**	**773**	**854**	**920**	**930**	**961**

Affordability prudential indicators

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

a. Ratio of financing costs to net revenue stream

This indicator identifies the trend in the cost of capital, (borrowing and other long-term obligation costs net of investment income), against the net revenue stream.

	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
MRP, excluding PFI	16.1	19.8	22.7	24.4	25.7
MRP PFI, finance lease	3.4	3.4	3.5	3.6	3.6
Old West Yorkshire Waste debt	0.2	0.2	0.2	0.2	0.2
Interest on external borrowing	16.6	18.4	23.7	24.3	24.8
Interest on PFI	15.9	15.3	14.6	14.0	13.2
Premium on debt repayment	0.3	0.3	0.3	0.3	0.3
Total Capital Financing Costs	**52.5**	**57.4**	**65.0**	**66.6**	**67.7**
Projected Net Revenue Stream	388.0	441.0	441.0	441.0	441.0
Ratio to Net Revenue Stream	**13.5%**	**13.0%**	**14.7%**	**15.1%**	**15.4%**
Invest to Save element of Total Capital Financing Costs	6.3	6.5	7.7	7.9	8.4
Invest to Save contribution to Ratio to Net Revenue Stream	**1.6%**	**1.5 %**	**1.6%**	**1.8%**	**1.9%**

Prudence indicators

- Gross debt and the capital financing requirement

The Prudential Code requires the calculation of the capital financing requirement (CFR). This figure represents the Council's underlying need to borrow for a capital purpose and the change year-on-year will be influenced by the capital expenditure in the year.

In order to ensure that over the medium term gross debt will only be for capital purposes, the Council must ensure that gross debt does not, except in the short-term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for the current and next two financial years. In cases where the CFR is reducing over the period, the Code allows the CFR at its highest point to be used in this calculation.

The Council had no difficulty meeting the previous calculation in 2021-22, nor are any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans, and the proposals in this budget report and is shown in the table below.

	2021-22 Actual £m	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
External Debt						
Debt at 1 April	334.4	371.1	455.0	546.0	641.0	663.0
Expected change in Debt	36.7	83.9	91.0	95.0	22.0	51.0
Other long-term liabilities (OLTL)	154.9	146.9	139.0	130.5	121.9	111.0
Expected change in OLTL	-8.0	-7.9	-8.5	-8.6	-9.9	-10.5
Actual gross debt at 31 March	**519.6**	**594.0**	**676.5**	**762.9**	**775.0**	**815.5**

The Capital Financing Requirement	**709.2**	**773.0**	**854.0**	**920.0**	**930.0**	**961.0**
Under / (over) borrowing	**189.6**	**179.0**	**177.5**	**157.1**	**155.0**	**145.5**

External debt indicators
Operational boundary

	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Total	840	860	930	940	970

Authorised limit

	2022-23 Estimate £m	2023-24 Estimate £m	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m
Total	860	880	950	960	990

Actual external debt as at 31st March - this will be reported within the outturn report on treasury management.

Maturity structure of borrowing

These gross limits are set to reduce the Council's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

Maturity structure of fixed interest rate borrowing 2023-24		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	50%
5 years to 10 years	0%	50%
10 years to 20 years	0%	90%
20 years to 30 years	20%	90%
30 years to 40 years	20%	90%
40 years to 50 years	20%	90%

Maturity structure of variable interest rate borrowing 2023-24		
	Lower	**Upper**
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years and over	0%	20%

Upper limit for principle sums invested

Total principal sums invested for periods longer than 365 days – if the Council invests or plans to invest for longer than 365 days it must set an upper limit for each financial year for the maturing of such investments.

£m	2022-23 £m	2023-24 £m	2024-25 £m
Principal sums invested for longer than 365 days	£20m	£20m	£20m

Control of interest rate exposure

Members are advised that indicators for interest rate exposure are no longer a requirement under the new Treasury Management Code. However, as interest rate exposure risk is an important issue, officers will continue to monitor the balance between fixed and variable interest rates for borrowing and investments. This will aim to ensure the Council is not exposed to adverse fluctuations in fixed or variable rate interest rate movements.

This is likely to reflect higher fixed interest rate borrowing if the borrowing need is high or fixed interest rates are likely to increase, or a higher variable rate exposure if fixed interest rates are expected to fall. Conversely if shorter term interest rates are likely to fall, investments may be fixed earlier, or kept shorter if short term investments are expected to rise.

The balance between variable rate debt and variable rate investments will be monitored as part of the overall treasury function in the context of the overall financial instruments structure and any under or over borrowing positions.

Appendix 2

MRP Policy

1.1 The Local Government Act 2003 requires the Council to make a provision for the repayment of borrowing used to finance its capital expenditure, known as the Minimum Revenue Provision (MRP).

1.2 The MRP is the amount of principal capital repayment that is set aside each year in order to repay the Capital Financing Requirement (CFR) based on the requirement of statutory regulation and the Council's own accounting policies.

1.3 The Council is required to state as part of its budget process the policy for determining its MRP. The method for calculating the MRP on each category of debt is outlined below:

a) From 1 April 2022 the policy for charging MRP on historic supported borrowing is on the annuity asset life method calculated over the remaining 36 years.

b) Unsupported or prudential borrowing MRP is based on the Asset Life method – that is, the expenditure financed from borrowing is divided by the expected asset life. From 1 April 2022 the MRP is calculated on the annuity basis.

c) Since 2009-10 the appropriate financing costs for the Council's Building Schools for the Future (BSF) Private Finance Initiative (PFI) schemes have been included in MRP calculations. In 2018-19 the MRP policy for PFI assets was brought into line with the main MRP Policy and the charge of the principal to the revenue account is now over the life of the school building assets. As per the main borrowing from the 1 April 2022 this is on an annuity asset life basis.

d) Finance lease MRP is equal to the principal repayment.

e) Asset lives are reviewed on an ongoing basis to match the MRP charge to the Revenue Estimates with the service benefit derived from the asset.

f) Where the Council has made property investments [or an invest to save investment] during or after 2018-19, the Section 151 Officer may choose to repay debt over the asset life using the annuity method. This is subject to an in house valuation that the investment property has retained or increased in value. Further it is subject to the condition that the in-year yield is above the average for Treasury Investments and this is expected to continue into the future.

g) Where capital expenditure involves repayable loans or grants to third parties no MRP is required where the loan or grant is repayable. By exception, on the basis of a business case and risk assessment, this approach may be amended at the discretion of the Director of Finance.

1.4 The CFR represents the amount of capital expenditure that has been financed from borrowing, less any amounts that the Council has set aside to repay that debt through the MRP. Borrowing may come from loans taken from the Public Works Loan Board (PWLB) or commercial banks, finance leases (including PFI) or from the use of the Council's own cash balances.

1.5 External debt can be less than the CFR. External debt cannot exceed the CFR (other than for short term cash flow purposes or cash flow management.)

1.6 There is an International Financial Reporting Standards requirement that assets funded from finance leases (including PFI deals) are brought onto the balance sheet. This also includes the liability as well as the asset. Therefore, the term borrowing does not just include loans from the Public Works Loan Board and banks, but also the liability implicit in PFI and other finance leases. IFRS 16 is due to be implemented from the 1 April 2024 and as a result, more of the Council's leases will be treated as finance leases. Therefore, more of the costs of these leases will be included in capital financing costs for the purposes of calculating the Prudential Indicator.

1.7 The CIP will need to be reviewed through the planning cycle to ensure it remains affordable within revenue resources and to take account of the actual implementation of capital schemes.

1.8 Loans to third parties for a capital purpose can be repaid with the repayments providing the following conditions are met: the capital scheme is self-financing; that there is overall confidence that the loan will be repaid; that the third party adheres to the agreed repayment schedule.

Appendix 3 Economic Background (provided by Link Group)

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps in 2022. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	4.0%	2.5%	4.5%-4.75%
GDP	-0.3%q/q Q3 (1.9%y/y)	+0.3%q/q Q3 (2.3%y/y)	2.9% Q4 Annualised
Inflation	10.5%y/y (Dec)	8.5%y/y (Jan)	6.5%y/y (Dec)
Unemployment Rate	3.7% (Nov)	6.6% (Dec)	3.5% (Dec)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will face some further upward pressures before dropping back slowly through 2023 to finish the year in the range of 4% - 5%.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22 February 2022.

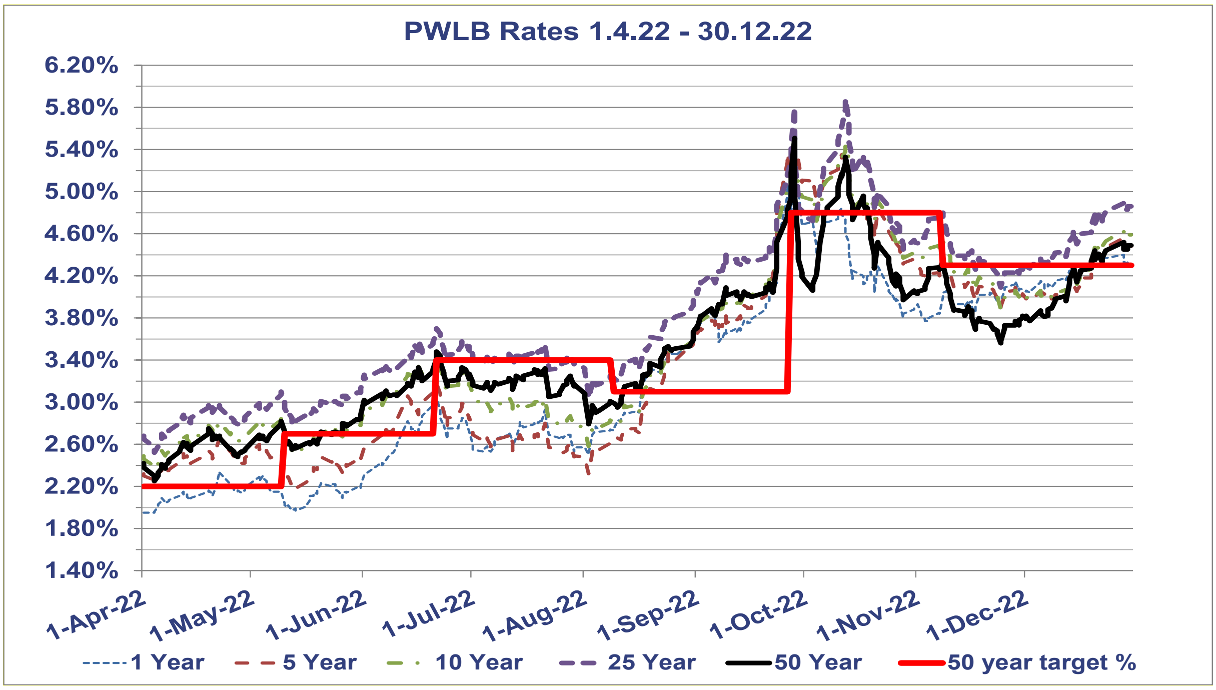
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and 4% in February and the market currently expects Bank Rate to hit 4.5% by June 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction in 2023. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank. Indeed, their February Monetary Policy Report suggests five quarters of negative growth, albeit a shallow recession with GDP expected to shrink 0.5% in 2023 and 0.25% in 2024.

The £ has remained resilient of late, recovering from a record low of $1.035, on the Monday following the Truss government's "fiscal event", to $1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first nine months of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to December 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1.25% lower now whilst the 50 years is also over 1% lower.

HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.22 – 30.12.22

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.26%	3.41%	3.57%	3.85%	3.51%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

The S&P 500 and FTSE 100 have climbed in the early weeks of 2023, albeit the former finished 19% down in 2022 whilst the latter finished up 1%.

CENTRAL BANK CONCERNS – DECEMBER 2022 & FEBRUARY 2023

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

At the start of February, US rates have further increased by 0.25% to a range of 4.5% - 4.75%, whilst UK Bank Rate increased 0.5% to 4%.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.25% - 4.5%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data and labour market have proven stronger than expected.

In addition, the Bank's central message that GDP will fall for five quarters starting with Q1 2023 may prove to be a little pessimistic. Will the excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

Appendix 4

APPROVED COUNTRIES FOR INVESTMENTS

This list is based on those countries which have sovereign ratings of AA- or higher, (we show the lowest rating from Fitch, Moody's and S&P)

Based on lowest available rating

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

Appendix 5 TREASURY MANAGEMENT SCHEME OF DELEGATION

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Governance and Audit Committee

- approval of/amendments to the organisation’s adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Corporate Overview and Scrutiny Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body.

Appendix 6 THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

The above list of specific responsibilities of the S151 officer in the 2021 Treasury Management Code has not changed. However, implicit in the changes in both codes, is a major extension of the functions of this role, especially in respect of non-financial investments, (which CIPFA has defined as being part of treasury management). These include:

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long-term timeframe.
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money.
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the Council.
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing.
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the Council to an excessive level of risk compared to its financial resources.
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities.
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees.
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority.
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed, to include the following -
    - Risk management (TMP1 and schedules), including investment and risk management criteria for any material non-treasury investment portfolios;
    - Performance measurement and management (TMP2 and schedules), including methodology and criteria for assessing the performance and success of non-treasury investments;

- Decision making, governance and organisation (TMP5 and schedules), including a statement of the governance requirements for decision making in relation to non-treasury investments; and arrangements to ensure that appropriate professional due diligence is carried out to support decision making;

- Reporting and management information (TMP6 and schedules), including where and how often monitoring reports are taken;

- Training and qualifications (TMP10 and schedules), including how the relevant knowledge and skills in relation to non-treasury investments will be arranged.

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of External Audit to the meeting of the Governance and Audit Committee to be held on 23 March 2023

AD

Subject:

External audit's Audit Completion Report for the 2021/22 audit of the City of Bradford Metropolitan District Council

Summary statement:

The Audit Completion Report summarises the findings from our audit of the City of Bradford Metropolitan District Council for the year ended 31 March 2022.

Nicola Hallas
Mazars
Report Contact: Nicola Hallas
Phone: 07881 283 559
e-mail: nicola.hallas@mazars.co.uk

1. SUMMARY

The report outlines the findings from our work on the Council's financial statements.

At the time of issuing this report our work remains in progress. Subject to the satisfactory completion of the outstanding work, and based on the areas of our work completed to date, we anticipate issuing an unqualified opinion on your statement of accounts.

We will provide a verbal update on outstanding matters at the Governance and Audit Committee meeting on 23 March 2022.

2. BACKGROUND

Not applicable

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

Not applicable

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

Not applicable

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

Not applicable

7.2 SUSTAINABILITY IMPLICATIONS

Not applicable

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable

7.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable

7.5 HUMAN RIGHTS ACT

Not applicable

7.6 TRADE UNION

Not applicable

7.7 WARD IMPLICATIONS

Not applicable

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

Not applicable

7.9 IMPLICATIONS FOR CORPORATE PARENTING

Not applicable

7.10 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

Not applicable

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

The Governance and Audit Committee is asked to:

- note the contents of our Audit Completion Report prior to approving the Statement of Accounts and
- approve the letter of representation requested at Appendix A.

11. APPENDICES

Audit Completion Report 2021/22 – City of Bradford Metropolitan District Council

12. BACKGROUND DOCUMENTS

None

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Audit Completion Report

City of Bradford Metropolitan District Council– Year ended 31 March 2022

March 2023

mazars

Contents

City of Bradford Metropolitan Council
City Hall
Bradford
BD1 1UH

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

February 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 9 June 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate, with the exception of the following:

- Revenue Recognition – in the Audit Strategy Memorandum we identified Revenue Recognition as a significant risk. Since the ASM was presented, we have completed further analysis of the revenue streams of the Council and concluded there is no significant risk in relation to revenue recognition.

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

Signed: {{_es_:signer1:signature }}

Cameron Waddell

Mazars LLP

Mazars LLP – 5th Floor, 3 Wellington Place, Leeds, LS1 4AP
Tel: 0113 394 2000 – www.mazars.co.uk

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

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

- Management override of controls;
- Valuation of land and buildings;
- Net defined benefit liability; and
- PFI accounting

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £1.2m. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, there are matters outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion to be included in the draft auditor's report will be reported separately in a follow up letter.

Value for Money

We anticipate having no new significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. However, despite progress in some areas, Ofsted's January 2023 inspection report continues to highlight significant concerns around the Council's progress in addressing significant weaknesses in children's services. This continues to represent a significant weakness in arrangements in relation to Governance and how the Council implements or achieves progress on recommendations raised as a result of previous recommendations made by both Ofsted and external audit.
Further detail on our Value for Money work is provided in section 7 of this report.

Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts.

02

Section 02:

Status of the audit

2. Status of the audit

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

Audit area	Status	Description of the outstanding matters
Property, Plant and Equipment – Valuations		We are in the process of finalising our work on the valuation of land and buildings.
Infrastructure Assets		We are in the process of reviewing the work the Council have done to comply with he latest CIPFA guidance.
Whole of Government Accounts		We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.
Audit completion and post balance sheet events		Our standard work on the audit completion, internal review process and review of post balance sheet events up to the point at which we sign out audit report remain outstanding.

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.

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters in a follow-up letter prior to signing the auditor's report.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2022. We have made changes to our audit approach since we presented our Audit Strategy Memorandum which are outlined below:

- Revenue Recognition - in the Audit Strategy Memorandum we identified Revenue Recognition as a significant risk. Since the Audit Strategy Memorandum was presented, we have completed further analysis of the revenue streams of the Council and concluded there is no significant risk in relation to revenue recognition.

Materiality

Our provisional materiality at the planning stage of the audit was set at £23.5m using a benchmark of circa 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £26m using the same benchmark.

Use of experts

- As detailed in our Audit Strategy Memorandum, management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account. There are no changes to our or management's use of experts:

Item of account	Management' expert	Our expert
Net Defined benefit liability	Actuary (Aon Hewitt)	NAO's consulting actuary (PWC)
Property, plant and equipment valuation	In-house valuer	We take into account any relevant information which is available from third parties. We have also engaged the Mazars Real Estate Team to assist in our work on the valuation of property, plant and equipment.
Financial Instrument disclosures	Link Asset Services (formerly Capita)	No expert required

Service organisations

- International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

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

04

Section 04:

Significant findings

4. Significant findings

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

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

Significant risks

Management override of controls	**Description of the risk** This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion We do not have any matters to report in respect of management override of controls.

4. Significant findings

Valuation of land and buildings

Description of the risk

Council dwellings, infrastructure assets, other land and buildings were the Council's highest value assets totalling £826.0 million (£835.2 million in 2020/21). The balance sheet also included investment properties totalling £46.1 million (£54.6 million in 2020/21).

Per the CIPFA Code, each of these class of assert requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

Management engages its own Valuer as an expert to assist in determining the fair value of land and buildings to be included in the financial statements but there remains a high degree of estimation uncertainty associated with the valuation of land and buildings due to the significant judgements and number of variables involved.

How we addressed this risk

We evaluated the design and implementation of any controls which mitigated the risk. This included liaising with management to update our understanding on the approach taken by the Council in its valuation of land and buildings. We:

- assessed the scope and terms of engagement with the Valuer;
- assessed the competence, skills and objectivity of the Valuer;
- assessed how management use the Valuer's report to value land and buildings included in the financial statements;
- tested the accuracy of the data used in valuations;
- challenged the Council and Valuer's assumptions and judgements applied in the valuations;
- Reviewed the valuation methodology used, including the appropriateness of the valuation basis; and
- considered the reasonableness of the valuation by comparing the valuation output with market intelligence.

We have also engaged the Mazars Real Estates Valuation team to assist in the above.

Audit conclusion

Our work on valuation of land and buildings is still in progress. We will report our findings in a Follow-up letter on completion of the work.

4. Significant findings

Net defined benefit liability	
	Description of the risk The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.
	How we addressed this risk We have addressed this risk by: • critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund's Actuary, Aon Hewitt; • liaising with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension have been designed and implemented appropriately. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; • reviewing and agreeing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and • reviewing and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements.
	Audit conclusion There has been a £26m reduction in the pension liability as a result of a revised actuary report being received in October 2022. the Statement of Accounts have been adjusted for this amendment. Further detail is included in section 6 of this report.

4. Significant findings

Key areas of management judgement

PFI accounting	**Description of the management judgement** The method of accounting for PFI assets can be complex and involve management judgement. There is therefore a potential risk of material misstatement if the Council fails to appropriately apply judgement and update their accounting model.
	How our audit addressed this area of management judgement We have reviewed the Council's approach for accounting for its PFI assets including a review of any changes to the financial model.
	Audit conclusion We have no issues to report in this area.

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 14 September 2022 and were of a good quality.

Significant matters discussed with management

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

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

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

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

05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

We have not identified any internal control recommendations in 2021/22. We have provided an update to the internal control recommendations identified in the prior year.

Follow up on previous internal control points

Description of deficiency

IT auditors were unable to obtain evidence pertaining to requests for new users or changes to access on the SAP application

Potential effects

Inappropriate or fraudulent accesses to IT resources, fraudulent or unintentional data alteration or entry.

Recommendation

Management should ensure that there is an audit trail for all new user access and changes in access. The audit trail should include the specific access requested as well as relevant approval.

2021/22 update

Our work in 2021/22 has not identified any issues in this area.

5. Internal control recommendations

Follow up on previous internal control points (continued)

Description of deficiency

IT auditors identified 72 SAP accounts. Auditors were unable to determine if these accounts were required, with 60 of the accounts not being accessed within the financial year.

Potential effects

Inappropriate or fraudulent accesses to IT resources, fraudulent or unintentional data alteration or entry.

Recommendation

Management should perform a review of generic accounts and remove any accounts that are surplus to requirements.

2021/22 update

Our work in 2021/22 has not identified any issues in this area.

Follow up on previous internal control points

Description of deficiency

IT auditors identified two instances where the same user developed and promoted a change to the production environment, bypassing change management segregation of duties.

Potential effects

Unwanted losses or alterations of production data and functionalities.

Recommendation

Management should ensure segregation of duties in the change management process. Where it is not possible to segregate the development and promoting to production process, ensure there is documented approval provided to the third party to make the change.

2021/22 update

Our work in 2021/22 has not identified any significant issues in this area.

5. Internal control recommendations

Follow up on previous internal control points (continued)

Description of deficiency

IT auditors noted that no disaster recovery test had been performed by the organisation within the period.

Potential effects

Business continuity issues, loss of systems or data

Recommendation

Management should ensure that disaster recovery testing is performed on an annual basis and considers a variety of scenarios.

2021/22 update

Our work in 2021/22 has not identified any significant issues in this area.

Description of deficiency

As part of our review of financial instruments, we noted that the ‘expected loss model’ has not been applied to assess contractual financial assets, per the requirements of IFRS9.

Potential effects

Non-compliance with the code.

Recommendation

We recommend the Council applies this model when calculating impairment losses for the 2021/22 financial statements.

2021/22 update

Our work in 2021/22 has not identified any significant issues in this area.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

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

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

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Expenditure	1,216			
	Cr: Debtors				1,216
	Being the over provision of the impairment for bad debts of £1.2m, reducing the bad debt provision and increasing the overall value of debtors.				
	Total unadjusted misstatements	1,216			1,216

Unadjusted Disclosure errors

During our sample testing of debtors, we identified one debtor of £1.18m that had been mis-classified between 'General Payments in Advance' and Central Government bodies'). In line with our audit approach we have extrapolated this error across the 'General Payments in Advance' population, with a total extrapolated error of £9,071k. The Statement of Accounts have not been amended for this.

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6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Fair value of plan assets			26,091	
	Cr: Return on plan assets				26,091
	Being the adjustment in the updated actuary report in received in October 2022 which resulted in an increase in the Council's share of plan assets by 26,091k, reducing the pension fund liability and increasing the pension fund reserve by this amount.				
	Total adjusted misstatements			26,091	26,091

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6. Summary of misstatements

Disclosure amendments

The following disclosure amendments have been agreed with management:

- **Note 17 – Short term debtors and payments in advance** – One debtor of £1.18m has been incorrectly classified as a 'General Payment in Advance'. This has been amended and is now classified as 'Central Government bodies'.
- **Note 21e – Reconciliation of Liabilities arising from financing activities** – the split of long term and short term borrowing has been amended, to ensure it is consistent with the Balance Sheet. The overall total borrowing remains the same.
- **Note 27 – Defined Benefit Pension Schemes – Impact on the Defined Benefit Obligation in the Scheme** – the 'present value of benefit after decrease in assumption, rate of increase on salaries' was incorrectly disclosed as £3,347,172. It has been amended to £3,342,172.
- **There was no disclosure note to detail the nature of expenses. This has now been included within the Statement of Accounts.**

We have also identified a number of minor presentational amendments which have been adjusted by management.

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During the audit process finance officers identified and amended the following disclosure note:

- **Note 39 – Dedicated Schools Grant** - The values in the lines 'less actual ISB deployed to schools' and less actual central expenditure' for 2021/22 are the wrong way around:

  - less actual ISB deployed to schools has been amended to £243,527

  - less actual central expenditure has been amended to £27,674.

07

Section 07:

Value for Money

7. Value for Money

Approach to Value for Money

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

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

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

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

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

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within the 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022.

However, despite progress in some areas, Ofsted's January 2023 inspection report continues to highlight significant concerns around the Council's progress in addressing significant weaknesses in children's services.

This continues to represent a significant weakness in arrangements in relation to Governance and how the Council implements or achieves progress on recommendations raised as a result of previous recommendations made by both Ofsted and external audit.

We anticipate that our draft audit report will highlight that this significant weakness in relation to Governance reported in March 2022 remains for the year ended 31 March 2022.

As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report within the 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.

Follow up of previously-reported significant weaknesses in arrangements

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2020/21 recommendations
Progress in addressing weaknesses identified by Ofsted's 2018 inspection of Children's Services In 2018 Ofsted assessed children's services as 'Inadequate'. In response to Ofsted's recommendations, the Council developed an action plan to address the issues highlighted by Ofsted. Since the 2018 visit, Ofsted has made several follow-up monitoring visits, and issued Monitoring Letters, summarising their views on progress to-date. In December 2020 Ofsted undertook a focused visit, (reported in February 2021) and shortly after completed a further monitoring visit in April 2021 (reported in June 2021). Ofsted's Monitoring Letters, issued after these visits, highlighted that whilst the Council had made improvements, concerns remained about the pace of improvement since they issued their 2018 inspection report. In particular, Ofsted recommended that the Council needed to improve in the following key areas: • workforce challenges, including oversite and workforce instability; • poor working practices, including high caseloads and ineffective planning; and • effectiveness of corporate parenting. In our view, Ofsted's concerns around the Council's progress in addressing the identified weaknesses in children's services represent a significant weakness in arrangements in relation to Governance and how the Council implements or achieves progress on recommendations raised as a result of previous recommendations from Ofsted. The Council recognises that the ongoing a failure to fully address the weaknesses identified in the 2018 Ofsted report and subsequent Monitoring Letters adversely impacts upon the quality of services provided to service users and may lead to further action by regulators.	Governance	In order to fully address ongoing concerns expressed by Ofsted in its 2018 Report and subsequent Monitoring Letters, the Council should continue to improve its arrangements and action plan. The Council should also ensure that robust monitoring and reporting processes are in place and that challenge, scrutiny and escalation arrangements drive the required improvements for service users and sustain the progress made to-date in implementing the actions to address the issues raised by Ofsted.

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements (continued)

Planned procedures for 2021/22
In January 2022, following recommendations made by the Children's Services Commissioner the Council has announced that it plans to establish a Trust to run services for vulnerable children and families. The intention is that this will be a not-for-profit Trust, which will be owned by the Council and operate at arms-length under the control of a new independent Chair and Board of Directors. As part of our 2021/22 audit, we will follow up the Council's progress in implementing arrangements to address the weaknesses and recommendations made by Ofsted and, more recently, by the Children's Services Commissioner. Our work will include, but is not limited to: • discussions with senior management; • review of reports and minutes; • review of action plans put in place to address the weaknesses identified by Ofsted and the Children's Services Commissioner; • considering progress made by the Council to date in addressing the weaknesses identified, including the establishment of the proposed Trust; and • where available, consider any updates provided directly from Ofsted and/or the Children's Services Commissioner.

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements (continued)

Progress against the recommendation
Ofsted has conducted seven monitoring visits since the previous inadequate judgement in 2018, which highlighted that some progress has been achieved in some discrete areas. However, the most recent January 2023 Ofsted report, following an inspection in late 2022, has highlighted “widespread and serious failures across all service areas”. As a result the Council’s children's services has been rated ‘Inadequate’ for: • The impact of leaders on social work practice with children and families. • The experiences and progress of children who need help and protection. • The experiences and progress of children in care and care leavers. • Overall effectiveness. Identified areas for improvement in the January 2023 Ofsted report include: • Council and corporate senior leaders should ensure that they fully and effectively discharge their role as corporate parents, and ensure that children’s social care is provided with the resources and support required in a timely way to expedite sustainable improvements. • The sufficiency and stability of the workforce, including senior leaders and managers. • The quality and timeliness of assessments of risk and need in all their forms, including the response to domestic violence. • The timely completion of statutory safeguarding checks and compliance with regulation regarding private fostering and connected carers. • The timeliness and quality of decisions in respect of section 47 enquiries. • The currency and accuracy of children’s records. • The effectiveness of all multi-agency meetings and their influence in driving children’s plans. • The timely escalation to public law outline (PLO) and timely progression of permanence in all its forms. • The effectiveness and impact of independent reviewing officers (IROs). • Foster carer morale, training, recruitment and retention, including the support offered to special guardians. • The quality and safety of in-house residential provision, including safer recruitment. • The offer of safe, appropriate and sustainable homes for care leavers and their preparation for leaving care. • Clarity regarding the process of completing personal education plans (PEPs) so that they are consistently completed by all relevant professionals. • The quality and effectiveness of supervision to staff at all levels by managers and leaders. During the year the Council has continued to prepare for the establishment of a Children’s Trust from 1 April 2023. Regular reports have been presented to detail the progress made. In September 2022 a Gateway Review was carried out to provide assurance to all parties involved (Department for Education, City of Bradford Metropolitan District Council and The Children’s Trust) of the achievability of the 1 April 2023 launch date for the Bradford Children’s and Families Trust. Of the 12 areas covered by the Gateway Review,

7. Value for Money

Follow up of previously-reported significant weaknesses in arrangements (continued)

Progress against the recommendation
During the year the Council has continued to prepare for the establishment of a Children's Trust. Regular reports have been presented to detail the progress made. In September 2022 a Gateway Review was carried out to provide assurance to all parties involved (Department for Education, City of Bradford Metropolitan District Council and The Children's Trust) of the achievability of the 1 April 2023 launch date for the Bradford Children's and Families Trust. The Gateway Review covered 11 workstreams and an assessment of the Programme Management itself. Of the 12 areas covered by the Gateway Review: • 5 were rated as 'Green' - Successful delivery of these workstreams appears highly likely. • 6 were rated as 'Amber' – Successful delivery appears feasible but significant issues require management attention. • 1 was rated as 'Red' – Successful delivery appears unachievable with issues that do not appear resolvable. Although progress has been made, significant work is required prior to 1st April 2023.

Follow up of previously-reported significant weaknesses in arrangements (continued)

Conclusion
Despite progress in some areas, Ofsted's January 2023 inspection report continues to highlight significant concerns around the Council's progress in addressing significant weaknesses in children's services. This represents a significant weakness in arrangements in relation to Governance and how the Council implements or achieves progress on recommendations raised as a result of previous recommendations made by both Ofsted and external audit.

As part of our 2022/23 audit, we will follow up the Council's progress in implementing arrangements to address the weaknesses and recommendations made by Ofsted.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

City of Bradford Metropolitan District Council headed paper
Cameron Waddell
5th Floor
3 Wellington Place
Leeds
LS1 4AP

X March 2023

Dear Cameron

City of Bradford Metropolitan District Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of City of Bradford Metropolitan District Council (the Council) for the year ended 31 March 2022 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 2021/22 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, 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 and applicable law.

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 Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used in making the accounting estimates are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework..

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 un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

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 Council involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the company's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2021/22 in relation to the Council's PFI schemes that you have not been made aware of.

Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and there is no significant impact on the Council’s operations from the restrictions and sanctions in place.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole

Yours faithfully

Director of Finance

Date:

Appendix B: Draft audit report

To be issued in a follow up letter

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
External confirmations	We did not experience any issues with respect to obtaining external confirmations.
Related parties	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 Director of Finance that City of Bradford Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements. We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.

Appendix D: Other communications

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

Mazars

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Report of the Director of Finance to the meeting of Governance & Audit to be held on 23 March 2023

AE

Subject: 2021-22 audited Statement of Accounts

Summary statement:

This report presents the Council's 2021-22 audited statement of accounts.

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

Christopher Kinsella
Director of Finance

Report Contact: Rachel Gledhill-Moseley
Business Advisor - Projects
07966 307065
rachel.gledhill-moseley@bradford.gov.uk

Portfolio:

Corporate Services

Overview & Scrutiny Area:

Corporate Services

1. SUMMARY

- This report presents the 2021-22 audited Statement of Accounts (Appendix A) and summarises the key financial points arising.

- The recommendation contained in this report is to approve the audited 2021-22 statement of accounts.

2. BACKGROUND

- The Accounts and Audit Regulations 2015 set out the requirements for the production and publication of the annual statement of accounts. The Council prepared the draft statement of accounts for 25th July 2022.

  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 2021-22 financial year is Mazars LLP.

3. OTHER CONSIDERATIONS

- Following on from 25th July 2022, the 2021-22 statement of accounts were externally audited during the months of September 2022 to March 2023.

4. (A) FINANCIAL & RESOURCE APPRAISAL

- The key financial implications as at 31 March 2022 from the 2021-22 statement of accounts are summarised below:

  - Covid – The accounts for the financial year 2021-22 reflect the nature of the activity that has been undertaken to respond to the pandemic and also the continued provision of 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 2021-22.

  - Useable reserves (excluding Capital Receipts and Capital Grants Unapplied) stood at £274.8m (Council £228.2m, and Schools £46.6m) (Page 13, & Note 5 page 38), compared to £299.4m at the end of 2020-21, representing a £24.6m decrease in total useable reserves. The main reason for the £24.6m reduction in Council useable reserves in 2021-22 was COVID-19 related, with the Council drawing down Covid related grants received in 2020-21 to support Council services in 2021-22. This included both funding to support Council service delivery (£27.2m), and also the drawdown of £15.8m from the reserve holding Section 31 grants and Tax income guarantee income to repay 2020-21 Business Rates and Council Tax collection fund deficits as planned. The Council also received some additional Covid related funding in 2021-22, and £11.2m of this has been carried forward to complete Covid related commitments in 2022-23. Unallocated reserves were £10.7m, and General Fund reserves stood at £19.5m. 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 £1.3 billion (page 20) 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 £104.7m on long term assets, as part of its Capital Programme. £4.2m from the sale of property was both received and used to fund capital spend during the 2021-22 year. £62.8m of spend was financed by grants and other third party contributions, £34.6m from borrowing and the remainder direct revenue contributions.

- The Council holds £60.4m of grants provided by external public sector bodies, which will be used in the future to finance the Capital Programme.

- The Council has £709.2m remaining of borrowing for past spend on capital investment. £146.1m of this borrowing is in the form of contractual Private Finance Initiative liabilities. £3.5m mainly relates to miscellaneous historical debt. £186.9m is temporarily borrowed from the Council's own cash held in earmarked reserves, reducing interest payments. The remaining £372.7m is actual borrowing from the Public Works Loan Board, LOBO'S and short term borrowing.

- Against the £709.2m of borrowing, the Council has £1,060.4m of land, buildings, equipment, other infrastructure and assets held for sale. The value of the Council's property is therefore significantly higher than the outstanding debt relating to it.

- The 2021-22 balance sheet value of the Council's non-current assets (including current assets held for sale and excluding long term debtors) is £1,060.4m. This has increased by £38.5m from the 2020-21 value of £1,021.9m. Capital enhancements to the value of £72.7m were made to these assets during 2021-22 and Assets to the value of £18.6m were disposed of during the year. Also Non-current assets were depreciated by £34.799m during 2021-22. A revaluation programme that included schools, sports centres and investment properties increased values by £19.2m.

- The Council's estimated pension fund deficit has decreased to £870.558m, 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 remeasurement 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 2021-22 with a deficit position for both Business Rates and Council Tax. The Council's own share was a £18.0m deficit on Business Rates, with the Government holding a £18.3m deficit (page 84). 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 2021-22. 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.

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.

4 (B) Audit Completion Report

- There are five misstatements in the final accounts have not been adjusted for. Three relate to property valuations, one relates to income and spend being accounted for in the incorrect year and an over provision related to the impairment of general bad debt, a decision was taken not to adjust based on materiality.

- With regard to the Infrastructure issue that has caused a National delay in the 2021-22 accounts, detailed analysis has been undertaken. The resultant impact on the disclosure figures for Bradford Council is immaterial therefore figures have not been amended from the draft Statements. Disclosure note format has been amended to comply with statutory override which came into force on the 25th December 2022.

- Property valuations have been revised, resulting in an increase in Property, Plant and Equipment valuations of £44.35m.

- Other minor misstatements have been adjusted for.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

These are addressed in the body of the report.

6. LEGAL APPRAISAL

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

7. OTHER IMPLICATIONS

7.1 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 ASSESEMENT

There are no specific issues arising from this report.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

Not applicable

10. RECOMMENDATIONS

That the 2021-22 statement of accounts are approved by the Governance and Audit Committee.

11. APPENDICES

Appendix A: 2021-22 Statement of Accounts

12. BACKGROUND DOCUMENTS

None

Statement of Accounts 2021 – 22

CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2021-22

CONTENTS **Page**

Introduction to the Council’s Statement of Accounts

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

1. The Narrative Report

This report from the Director of Finance summarises the most significant items reported in the accounts and outlines the overall financial position of the Council for 2021-22. There is a distinction between revenue spending (the annual cost of providing services) and capital expenditure, which has a long-term benefit for the citizens of the Bradford district.

2. Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (*i.e. those that can be applied to fund expenditure*) and other reserves.

3. Comprehensive Income and Expenditure Statement

This statement demonstrates the cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded in accordance with statute. The Council raises tax and uses grants and other flows of income to cover the cost of services. The statutory financial result is shown in the “Movement in Reserves Statement”. This is different to the cost of services stated in accordance with generally accepted accounting practice, as shown in the Comprehensive Income and expenditure account.

4. Balance Sheet

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

5. Cash Flow Statement

This statement shows the changes in cash and cash equivalents (short term investments of three months or less) of the Council during the reporting period.

6. Statement of Significant Accounting Policies

The Council’s accounts have followed the International Financial Reporting Standards (IFRS) since the 2010-11 financial year.

The accounting policies set out the specific principles, bases, conventions, rules and practices applied by the Council in preparing and presenting the financial statements. The accounting policies are based on interpretations and adaptations for the public sector set out in the CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (“the Code”).

7. Notes to the Main Financial Statements

The notes disclose information required by the Code and information that makes the accounts easier to understand. They show the specific accounting policies and estimates used and breakdowns of figures shown in the main Financial Statements.

8. Collection Fund Statement

The Collection Fund is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority (Bradford Council) in collecting Council Tax and non-domestic Business Rates and distributing it to major preceptors and the Government.

9. The Group Accounts

As the Council does not have any material interests in subsidiaries, associates and jointly controlled entities it is not required to produce a set of Group Accounts.

10. The Pension Fund Account

As the Council is the administering authority for the West Yorkshire Pension Fund, the activities of the fund are required to be reported alongside the Council’s main Financial Statements.

11. Glossary of Terms

In order to help readers, a Glossary of Terms, widely used in relation to local authority finance and referred to within these accounts, is included at the end of the document.

12. Annual Governance Statement

The Council is required to undertake an annual review of the effectiveness of its governance framework and system of internal control. The conclusions of this review are reported alongside the accounting statements.

Notes to the Main Financial Statements

City of Bradford Metropolitan District Council's Statement of Responsibilities

The Council is required to:

a. Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.
b. Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
c. Approve the Statement of Accounts.

Director of Finance & IT Responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

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

In addition, he has issued:

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

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 2022 and its income and expenditure for the year then ended; and of the West Yorkshire Pension Fund.

Signed:

Christopher Kinsella
Director of Finance (S151 officer)
Date: 23rd March 2023

I certify that this Statement of Accounts was approved by the Corporate Governance and Audit Committee on 23rd March 2023.

Signed

Cllr Angela Tait
Chair Governance and Audit Committee
Date: 23rd March 2023

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

Report to be inserted following the audit.

Report to be inserted following the audit.

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 2022 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 2022 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 2021-22 has been another challenging year. 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 2021-22 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 predominantly mitigated in the financial year 2021-22.

The administration of the 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 additional 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, 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.

This spirit has recently helped Bradford win the competition to be UK City of Culture 2025.

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:

- 52 Labour
- 21 Conservative
- 6 Liberal Democrat
- 6 Green
- 2 Bradford South Independents
- 2 Independent
- 1 Ilkley Independent

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

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

The Council Plan 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 https://www.bradford.gov.uk/council-plan/council-plan/

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 https://www.bradford.gov.uk/council-plan/council-plan/

2022-2023 and beyond

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

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

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 remained in relatively strong financial health in 2021-22. The current inflationary environment and Children's Social Care issues are however making the outlook more challenging still.

We have assessed all our contracts and procurements to assess links with the Ukraine War / Russia, this has not resulted in any changes to the Council's valuation of assets and liabilities. However, the Council is seeing the impact through the increased cost of essentials, such as energy. The invasion of the Ukraine occurred on the 24th February 2022 therefore it is anticipated that the increased cost pressures will more prominent in the 2202-23 expenditure.

Financial Performance

Revenue Outturn 2021-22

The Council's General Fund budget for its own net expenditure was set at £385m in 2021-22.

Band D Council Tax (excluding both Police and Fire Authority precepts), was set at £1,499, a 2.99% increase on the previous year. Comprehensive revenue and capital budget monitoring is carried out during the year and is supplemented by quarterly finance position statements presented to the Executive. 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 of Covid will was approximately £74m in 2021-22. This was in addition to the £92m of additional costs and income losses in 2020-21. £11.2m of wholly funded Covid related expenditure is also expected in 2022-23.

Most of the financial impact on the Council was mitigated by Government grants and other income in 2021-22, including Emergency Grants, the Contain Outbreak Management Fund and 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 balanced £385m net expenditure budget in 2021-22. Although this was a good result overall, the position did include some significant overspends, most notably in Children's Social Care, and there remains considerable financial challenges looking ahead into 2022-23 and beyond.

Net Revenue Budget

	Gross Budget £m	Net Budget £m	Variance £m
Health and Wellbeing	251.9	120.7	1.0
Children's Services	529.5	137.9	15.5
Department of Place	201.9	125.1	-1.7
Corporate Resources	212.5	55.7	-0.5
Chief Executive	5.7	5.2	-0.3
Non Service Budgets	21.6	-48.8	-0.1
General Fund	12.4	-10.5	-13.9
Total Council	**1,235.5**	**385.4**	**0.0**

Reserves

At 31st March 2022 useable reserves (excluding Capital Grants Unapplied and Capital Receipts) stood at £274.8m (Council £228.2m, and Schools £46.6m), compared to £299.4m at the end of 2020-21, representing a £24.6m decrease in total useable reserves. Unallocated reserves were £10.7m, and General Fund reserves stood at £19.5m.

	Closing Balance 2019-20 £m	Closing Balance 2020-21 £m	Net Movement	Closing Balance 2021-22 £m
Council Earmarked reserves	192.0	241.6	-32.9	208.7
General Fund Reserve	15.0	15.0	4.5	19.5
Council Reserves	207.0	256.5	-28.4	228.2
Schools balances	31.9	42.9	3.7	46.6
Total	238.9	299.4	-24.7	274.8

The main reason for the £24.7m reduction in Council useable reserves in 2021-22 was COVID-19 related, with the Council drawing down Covid related grants received in 2020-21 to support Council services in 2021-22. This included both funding to support Council service delivery (£27.2m), and also the drawdown of £15.8m from the reserve holding Section 31 grants and Tax income guarantee income to repay 2020-21 Business Rates and Council Tax collection fund deficits as planned. The Council also received some additional Covid related funding in 2021-22, and £11.2m of this has been carried forward to complete Covid related commitments in 2022-23.

The total value of revenue balances held by maintained schools at the end of 2021-22 also increased by £3.7m to £46.6m. This was mainly due to underspends on the high needs block of the Dedicated Schools Grant. 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 2022-23.

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

The Council takes a risk based approach to the management of useable reserves. As part of setting the annual budget the s151 Officer undertakes a review of risks and known commitments to calculate a minimum level for the General Fund reserve. For 2021-22, it was determined that a level of £19.5m was the appropriate figure in line with recommended practice.

Overall, reserve levels are expected to reduce significantly in 2022-23.

The Council has £11.2m of Covid related reserves from 2021-22, which will be drawn down in 2022-23 to complete committed Covid related expenditure as outlined previously.

Additionally, c£17.9m (£16.1m NDR, £1.8m Council Tax) of S31 Business Rates Grant Reserve that contains both the Councils share of Section 31 grants and Tax Income Guarantee Scheme compensation will be drawn down at 2022-23 year-end to fund the remaining spreading of the 2020-21 Collection fund deficits, and the repayment of the 2021-22 deficit.

The 2022-23 budget has also approved further reserve reductions of approximately £13.65m.

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

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

Non-Current Assets

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

- Property, plant and equipment (PPE) – this includes council dwellings, land & buildings, infrastructure assets, community assets, surplus assets, assets under construction and tangible plant, vehicle and equipment assets
- Intangible assets
- Heritage assets
- Investment property
- Assets held for sale

The accounting standard IFRS 13 Fair Value Measurement was adopted by the Council 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 2021-22 balance sheet value of the Council's non-current assets (including current assets held for sale and excluding Long term debtors) is £1,060.4m. This has increased by £38.5m from the 2020-21 value of £1,021.9m. Capital enhancements to the value of £72.7m were made to these assets during 2021-22 and Assets to the value of £18.6m were disposed of during the year.

Non-current assets were depreciated by £34.9m during 2021-22. This figure includes amortisation of intangible assets and impairment. Valuations on the Council's properties are carried out by qualified valuers within the council's Asset and Property Management Team. A revaluation programme exists which set out when each category of Asset will be valued and during 2021-22 this programme included schools, sports centers and Children's Centres.

Risks and Opportunities

A key issue for the Council is Children's Social Care which has seen significant growth in budget in recent years. However, the budget overspent significantly again in 2021-22 due to high levels of Agency Social Workers and increased Child Looked After placements, and this pressure is likely to persist in future years. A Local Authority Controlled Children's Company will be set up from April 2023.

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

The COVID 19 pandemic has also been a nationwide issues and the district has been significantly impacted. As the 2021-22 year progressed restrictions were lifted, and by the end of the year, everyday life for many started to look like the pre-pandemic normal again.
There remains however, 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 2021-22.

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 2021-22 the net cost of Adult & Children's Social Care was £243m, 63% of the Council's net budget, and these costs are currently growing at an unsustainable rate. The scale of future challenges will inevitably impact on services and residents to some extent. In considering what savings can be made we have taken long term approaches to the development of future services and this approach will help to protect the needs of the most vulnerable people in the district.

The budget process for 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, climate change initiatives and to invest to save. In addition, the Council is continuing to make a significant investment in Information and Communications technology (ICT), recognising that the need for high quality technology will be crucial to delivering services in the most effective manner in the future.

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

Key Performance Indicators

The 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, over the past two years. But also there have been significant changes to the way these schemes work. The financial impacts are looked at in more detail below.

On Council Tax, as were emerge from the Covid 19 pandemic, the pressure and risks are from the increased costs of living, which may result in a higher level of uncollected debt. Employment has risen, decreased the cost of the Council Tax Reduction scheme (previously called Council Tax benefit) from around 32,000 to around 30,000 recipients at 31st March 2022.Housebuilding has started to recover with a net gain in properties of 1,046 during 2021-22.

Overall, there was a Council Tax collection fund deficit of £2.3m in 2021-22, of which the Council's share was £1.9m.

Business Rates collection has also been significantly impacted by the pandemic. However, the Council has a relatively high needs assessment compared to its collection; and since the difference is funded by a Government Top Up grant, this reduces the collection risk compared to other Councils. Additional pandemic reliefs have been issued in 2021-22, therefore, this aspect of the collection is de-risked, because it was also funded by the Government as a grant.

Overall, there was a Business Rates collection fund deficit of £36.8m at 31st March 2022 of which the Council's share was £18m. The Council has received Section 31 grants from the Government in 2021-22 to compensate for the additional reliefs provided to businesses. Overall, the Council's share of the Collection Fund deficit from 2021-22 will be materially covered by grants.

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

Capital Expenditure

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

The Capital Investment Plan originally budgeted 2021-22 spend at £254.9m (Full Council, 18 February 2021). This budget was re-profiled to £133m in the 1st quarter monitoring report (Executive, 6th July 2021). Since the agreement of the 2021-22 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 £172.7m with the spend forecast being £111.2m (Executive, 5 April 2022).

Against the latest re-profiled budget of £172.7m, the Outturn was £104.7m. This is summarised by Department, including some of the major schemes, in the Table below.

Capital Expenditure 2021-22		
Department and Schemes	**Major Schemes**	**Total Spend**
	£000	**£000**
Health and Wellbeing		**1,167**
BACES Disabled Facilities Grant	638	
Community Capacity Grant	352	
Children' s Services		**16,227**
Primary Schools Expansion Programme	612	
Devolved Formula Capital	972	
Capital Maintenance Grant	2,093	
Secondary School Expansion	145	
Silsden School	6,296	
SEN School Expansion	2,898	
PFI	1,841	
Place – Economy and Development Services		**14,589**
New Affordable Housing	215	
Dev of Equity Loans	468	
Disabled Housing Facilities Grant	4,741	
Empty Private Sector Homes Strategy	975	
Towns Fund	1,518	
Conditioning House & High Point Grant	1,439	
City park	1,852	
City Centre Market	3,212	
Place – Planning, Transport and Highways		**38,666**
Capital Highways Maintenance	3,712	
Challenge Fund	681	
West Yorkshire Transport Fund	5,411	
Smart Street Lighting	4,279	
Clean Air Zone	11,119	
Transforming Cities Fund Programme (TCF)	5,163	
Safer Roads	1,086	
Potholes	4,186	
Place – Other		**14,502**
Replacement of Vehicles	2,919	
Bereavement Strategy	2,549	
Parks & Play Spaces	839	
Wyke Community Sports Hub	5,271	
Lister Park Playable Spaces	588	
Corporate Resources		**19,555**
Property Programme	2,502	
Godwin Street	5,758	
Bradford LAD1 Scheme	3,775	
Coroner's Court and Accommodation	2,415	
IT Infrastructure	2,543	
Total		**104,706**

Where the money came from to pay for the spending on capital schemes in 2021-22:

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 2021-22 it increased from the level in 2020-21 of £698.763m to £709.246m.

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

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

In 2021-22 the capital spending of £104.7m was funded as follows:

- £34.6m (33%) by borrowing generating capital financing charges which will form part of future revenue spending.
- £62.8m (60%) from government and other grants.
- £2.9m (3%) from revenue contributions and other revenue reserves.
- £4.2m (4%) from capital receipts from the sale of land and buildings.
- £0.2m (0%) from other Finance Leases.

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

Schools

In recent years, the value of Property, Plant and Equipment shown on the Balance Sheet has been volatile due to changes in convention about how to account for education assets and the ability of the Council to control the assets and influence future service potential.

Where the Council directly owns a school or where the School Governing body own the assets or have had rights to use the assets transferred to them, the school is recognised on the Balance Sheet. Community Schools are owned by the Council and are therefore recognised on the Balance Sheet.

Of the Council's Voluntary Aided and Controlled schools, the majority are owned by the respective Diocese with no formal rights to use the assets passed to the School or Governing Bodies. The schools are owned by trusts run by religious organisations and provision is available by the extended goodwill of the trust. As a result, these schools are not recognised on the Balance Sheet.

Where the ownership of a Trust/Foundation School lies with a charitable Trust, including Academies, the school is not recognised on the Council's Balance Sheet.

There are six 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 2021-22 one Voluntary Aided school converted to an Academy, and one Academy School completed a 125-year lease for Building and land asset. 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	2020/21	2021/22	Accounting Treatment
Community	45	45	**On** Balance Sheet
Special Schools	3	3	**On** Balance Sheet
Foundation	7	7	**1** Church of England School **Off** Balance Sheet, **6** owned by Governing Bodies are **on** the Balance Sheet
Voluntary Aided	14	13	**Off** Balance Sheet
Voluntary Controlled	6	6	**Off** Balance Sheet (with the exception of 2)
Academies	114	115	**Off** Balance Sheet
Trust	2	2	**Off** Balance Sheet
TOTAL SCHOOLS	**191**	**191**	
Nurseries	7	7	**On** Balance Sheet

For further information on how the Council decides which schools should be included on its Balance Sheet see the Critical Judgements in Applying Accounting Policies on page 35.

Treasury Management

The Council 's year-end treasury debt position for 2021-22 compared to 2020-21 is summarised in the table below:

	31 March 2021 Principal £'m	31 March 2022 Principal £'m
Fixed rate funding:		
-PWLB	297.8	292.3
-Market	36.2	36.2
-Other	0.4	0.4
PFI and other finance leases	154.9	146.9
Short term borrowing	0.0	37.0
Total debt as per Treasury Management Outturn Report	**489.3**	**512.8**
In year carrying value adjustment	1.6	1.6
Salix Loan	-	5.2
Total Debt as at 31 March	**490.9**	**519.6**

£ 5.511m of loans matured in January 2022 with an average rate of interest of 9.25%. Due to the high cash balances no new loans were undertaken this year. The Council maintained an average balance of £174m of internally managed funds. The internally managed funds earned an average rate of return of 0.135%.

Pensions

The Council is a member of, and the administering authority for, the West Yorkshire Pension Fund (WYPF). The Council's overall net pensions liability is £870.558m (a decrease from £1,234.891m in 2020-21). The decrease in the overall net pensions liability has been primarily caused by actuarial gains on the present value of the defined benefit obligation due to changes in financial assumptions, and remeasurement gains on the fair value of assets. Further details can be found in Note 27, Defined Benefit Pension Schemes. Whilst the overall net pensions liability figure is substantial, it should be remembered that:

- It is not an immediate deficit that needs to be met now. The sum is the current assessment taking a long-term view of the future liabilities for existing pensioners and current employees who are accruing pension entitlement.
- It is not a situation unique to Bradford or Local Authorities generally. Pension funds in both public and private sectors are similarly in a net liability situation.
- The West Yorkshire Pension Fund is regularly reviewed and provision has been made for additional contribution to address the deficit over a period of years.
- Employee contribution rates may change as may the method of calculating accrued benefits and, therefore, liabilities.

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

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" and other reserves. The closing 31 March 2022 General Fund Balance of £66.073m comprises £19.5m (£15m in 2020-21) balances generally available to the Council and £46.573m (£42.863m in 2020-21) cash balances held on behalf of schools under the Local Management Scheme.

The deficit on the Provision of Services line of £62.497m (deficit of £39.294m in 2020-21) within the Comprehensive 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 increased by £412.066m (decrease of £224.719m in 2020-21).

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
					Note 5 & Balance Sheet	Note 20 & Balance Sheet	Balance Sheet
	£000	£000	£000	£000	£000	£000	£000
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	-	-	-	-	-	(120,292)	(120,292)
Total Comprehensive Income and Expenditure	**(39,294)**	**-**	**-**	**-**	**(39,294)**	**(120,292)**	**(159,586)**
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**	**(224,719)**	**(159,586)**
Transfers to/from Earmarked Reserves (Note 5)	(49,522)	49,522	-	-	-	-	-
Increase/Decrease (-) in 2020-21	**10,941**	**49,522**	**-**	**4,670**	**65,133**	**(224,719)**	**(159,586)**
Balance at 31 March 2021	**57,863**	**241,554**	**-**	**38,300**	**337,717**	**(962,999)**	**(625,282)**
Movement in reserves during 2021-22							
Surplus/(deficit) on provision of services	(62,497)	-	-	-	(62,497)	-	(62,497)
Other Comprehensive Income and Expenditure	-	-	-	-	-	472,111	472,111
Total Comprehensive Income and Expenditure	**(62,497)**	**-**	**-**	**-**	**(62,497)**	**472,111**	**409,614**
Adjustments between accounting basis & funding basis under regulations (Note 4)	37,884	-	159	22,002	**60,045**	**(60,045)**	-
Net Increase/Decrease (-) before transfers to Earmarked Reserves	**(24,613)**	**-**	**159**	**22,002**	**(2,452)**	**412,066**	**409,6914**
Transfers to/from Earmarked Reserves (Note 5)	32,823	(32,823)	-	-	-	-	-
Increase/Decrease (-) in 2021-22	8,210	(32,823)	159	22,002	(2,452)	412,066	365,264
Balance at 31 March 2022	**66,073**	**208,731**	**159**	**60,302**	**335,265**	**(550,933)**	**(215,668)**

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.

	2020-21	2020-21	2020-21		2021-22	2021-22	2021-22
	Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
	£000	£000	£000		£000	£000	£000
Health and Wellbeing	267,311	(146,548)	120,763		285,581	(161,674)	123,907
Children's Services	497,084	(394,014)	103,070		549,901	(411,604)	138,297
Department of Place	172,882	(48,497)	124,385		210,009	(79,448)	130,562
Chief Executive	6,505	(1,091)	5,414		5,734	(635)	5,099
Corporate	191,271	(136,695)	54,576		189,355	(125,497)	63,858
Non Service Budgets	21,282	(12,305)	8,977		17,964	(16,895)	1,069
Central Budgets	27,919	(6,987)	20,932		26,507	(1,810)	24,697
Cost of services	**1,184,254**	**(746,137)**	**438,117**		**1,285,052**	**(797,563)**	**487,489**
Other Operating Expenditure (Note 8a)			14,309				17,381
Financing and Investment income and expenditure (Note 8b)			67,177				54,919
Taxation and non-specific grant income (Note 8d)			(480,309)				(497,292)
Surplus (-)/Deficit on Provision of Services			**39,294**				**62,497**
Surplus (-)/Deficit on revaluation of non-current assets (Note 20a)			(6,946)				(19,051)
Remeasurements of the net defined benefit liability (Note 20d)			127,238				(453,060)
Other Comprehensive Income and Expenditure			**120,292**				**(472,111)**
Total Comprehensive Income and Expenditure			**159,586**				**(409,614)**

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 2021		31 March 2022	Notes
	£000		£000	
Property, Plant and Equipment	937,595		970,348	9
Heritage Assets	37,698		37,648	12
Investment Property	46,102		51,959	13
Intangible Assets	246		221	14
Long term Investment	1		1	15
Long Term Debtors	2,425		6,992	16
Long Term Assets	**1,024,067**		**1,067,169**	
Short Term Investments	80,004		88,614	17
Assets Held for Sale	225		269	18
Inventories	5,754		5,159	17
Short Term Debtors	127,661		118,920	17
Cash and Cash Equivalents	82,571		119,113	17
Current Assets	**296,215**		**332,075**	
Cash and Cash Equivalents (Overdraft)	(3,413)		(5,949)	17
Short Term Borrowing	(8,964)		(56,560)	17
Short Term Creditors	(185,871)		(192,981)	17
Provisions	(5,188)		(10,192)	19
Current Liabilities	**(203,436)**		**(265,682)**	
Provisions	(10,600)		(3,535)	19
Long term borrowing	(330,531)		(319,494)	43b
Pension Liabilities	(1,234,891)		(870,558)	35
PFI & Other Long-Term liabilities	(150,535)		(141,739)	35
Capital Grants Receipts in Advance	(15,571)		(13,904)	41
Long Term Liabilities	**(1,742,128)**		**(1,349,230)**	
Net Liabilities	**(625,282)**		**(215,668)**	
Usable Reserves	(337,717)		(335,265)	5
Unusable Reserves	962,999		550,933	20
Total Reserves	**625,282**		**215,668**	

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.

	2020-21	**2021-22**
	£000	**£000**
Net surplus or (deficit) on the provision of services (Comprehensive Income and Expenditure Statement) (page 20)	(39,294)	(62,497)
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 21 d)	184,902	139,715
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (Note 21 d)	(50,888)	(88,729)
Net cash flows from Operating Activities	**94,720**	**(11,511)**
Investing Activities (Note 21 b)	(53,838)	3,517
Financing Activities (Note 21 c)	(52,392)	42,000
Net increase or (decrease) in cash and cash equivalents	**(11,510)**	**34,006**
Balance Sheet Movement		
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	79,158
Cash and cash equivalents at the end of the reporting period (Note 17) (Balance Sheet: Current Assets Cash and Cash equivalents less Current Liabilities Cash and Cash Equivalents)	79,158	113,164
Net increase or (decrease) in cash and cash equivalents	**(11,510)**	**34,006**

Note 1. Statement of Significant Accounting Policies

The Statement of Accounts summarises the Council's transactions for the 2021-22 financial year and its position at the year-end of 31 March 2022.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued by government.

i. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

There are a small number of exceptions to the accruals concept:

- A 12-month charge is included for payments to public utilities but this may not necessarily be the period of the financial year.
- Expenditure on rent allowances is accounted for on 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 2021-22 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 exceptional items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

iv. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

v. Charges to Revenue for Non – Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, in accordance with the Prudential Code. This requires that the Council sets the annual contribution at a prudent level, so that the contribution pays broadly for the benefit in each year of the capital expenditure in proportion to the overall borrowing required. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the MRP (Minimum Revenue Provision) contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vi. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, leased cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made using appropriate sampling techniques for the estimated cost of holiday entitlements (or any form of leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged out to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment (before the normal retirement date) or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to individual Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or is making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the actual amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-Employment Benefits

Employees of the Council are members of three separate pension schemes:

- The Local Government Pensions Scheme, administered by City of Bradford MDC on behalf of the West Yorkshire Pension Fund.
- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The NHS Pensions Scheme, administered by NHS Pensions.

All schemes provide defined benefits to Members (retirement lump sums and pensions), earned as employees work for the Council. However, the arrangements for the teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Health & Wellbeing line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the NHS Pension Scheme in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and any other relevant factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bond. The discount rate adopted by the Actuary is based on a weighted average of "spot yield" on AA rated corporate bonds.
- The assets of the West Yorkshire Pension Fund attributable to the Council are included in the Balance Sheet (netted from the overall pension liability) at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

The change in the net pensions liability is analysed into six components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net interest expense on the defined benefit obligation – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is netted off the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Re-measurement of the net defined benefit obligation – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.
- Contributions paid to the West Yorkshire Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Additional pension costs such as early retirement costs, for which the WYPF recharge the Council direct, have been included in the liabilities and contributions in line with International Accounting Standard (IAS) 19.

All defined benefits awarded to employees are recognised in the pension liability, and an actuarial calculation of the liabilities in respect of the compensatory added year's benefits awarded to teachers has been obtained and included within the overall pension liability.

The difference between the value of the pension fund assets calculated by the actuary and the present value of scheme liabilities is shown in Note 20d relating to the Pension Reserve.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the

Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Local Government Pension Scheme members retiring on or after 6 April 2006 can elect to take a higher lump sum in exchange for a lower retirement benefit. The commutation terms mean that it is less costly for the scheme to provide the lump sum than the pension, as more members take up this option, employers' pension costs are reduced. At its inception it was assumed that 50% of members will take up the option to increase their lump sum to the maximum available. However, the 2021-22 figures are based on the assumption that each member surrenders pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.

Teachers' Pensions

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teacher's scheme. These benefits are fully accrued in the pension liability.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

vii. Events After the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavorable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

The 2021-22 accounts were authorised for issue on the 23rd March 2023, following approval from the Corporate Governance and Audit Committee on the 23rd March 2023. This authorisation was given by the Chair Governance and Audit Committee Cllr Angela Tait and the Director of Finance (S151 Officer) Christopher Kinsella (page 5).

viii. Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, trade payables, lending, trade receivables, investments and bank deposits of the Council.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. The Council has a policy to spread the gain or loss over the term of the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

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

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

Financial Assets Measured at Fair Value through Profit of Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

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

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:
- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

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

Financial assets measured at fair value through other comprehensive income
Financial assets that are measured at FVOCI are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in other comprehensive income.

ix. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

x. Heritage Assets

The Council's Heritage Assets are assets that are held by the Council principally for their contribution to knowledge and/or culture. They are recognised and measured including treatment of revaluation gains and losses in accordance with the Council's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

These are assets which are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Where it is practicable to obtain a valuation, heritage assets are held at current value. Valuation methods used by the authority include professional valuations and insurance valuations. The Council has recognised the major pieces of its museum collection on the Balance Sheet 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.

xi. 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.

xii. 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).

xiii. 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.

xiv. 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.

xv. 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.

xvi. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use assets in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the inception of the lease (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability (together with any premiums received).

- finance charge (debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases are accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

Operating leases

Where the Council does not have the risks and rewards of ownership, the rental income is shown in the Income and Expenditure account as an expense of the Services benefiting from the use of the leased property, plant and equipment.

The Council as Lessor

Finance Leases

Where the Council grants a lease on one of its assets, a finance lease exists where the economic reality is a sale. This is usually when the minimum lease payments approximate to the value of the asset. The accounting treatment is that the related asset is removed from the balance sheet as a disposal and the lease payments separated into deferred capital receipts and interest income.

Any gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future lease rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xvii. 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.

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

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment above the de minimis level of £10,000 is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the costs of the item can be measured reliably. Expenditure that maintains, but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance), is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

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

- Assets Under Construction – historical cost.
- Dwellings – current value, determined using the basis of Existing Use Value for Social Housing (EUV-SH).
- Community assets – the Council values community assets at current value; historical cost has been used when this is an appropriate stand-in for current value.
- Surplus assets – fair value, estimated at highest and best use, determined from the perspective of market participants.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of current value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of current value.

Where non-property assets (Vehicles, Plant, Furniture and Equipment) have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Component Accounting

The Council's accounting policy 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 over 5 to 100 years as appropriate.
- Surplus Assets – straight-line allocation over the useful life of the property as estimated by the valuer.
- PFI – straight-line allocation over the useful life of the property as estimated by the valuer.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets are not depreciated in their year of acquisition. Revalued assets do not have their useful economic life (UEL) or depreciation charges amended until the year following the revaluation.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for sale) is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same place in the Comprehensive Income and Expenditure Statement and accounted for as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment (or set aside to reduce the Council's underlying need to borrow), in the Capital Financing Requirement Statement. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xviii. 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.

xix. 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.

xx. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure. These reserves are classed as usable reserves and itemised in Note 5.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits. These reserves are classed as unusable reserves and explained in Note 20.

xxi Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. This includes grants and other assistance given to outside bodies and individuals for capital purposes. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

xxii. Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income within the Council's income and expenditure account.

xxiii. Partnership Arrangements

Where the Council acts as the accountable body for specific grants or other schemes, they are accounted for on the following basis:

- If the Council controls the grant distribution process, all of the grant money received and the associated expenditure will be included in the Council's accounts. Conversely if the Council does not control the award of grant, only the grant allocated to the Council itself and the associated expenditure is recognised in the Council's accounts.
- Where the Council is the ultimate recipient of grant distributed by the decision making body, the grant receivable is included in the accounts on an accruals basis.
- Where liabilities may arise for the repayment of grant as a result of the Council's status as an accountable body these will be recognised in the accounts of the Council in accordance with accounting policies.

xxiv. Council Tax and National Non Domestic Rates (NNDR)

In the Council's capacity as billing authority it acts as an agent in collecting and distributing Council Tax income on behalf of the major preceptors and itself. The Code requires that only the Council's share of income and expenditure and Balance Sheet items are included in the financial statements.

The Council acts as an agent in collecting National Non Domestic Rates (NNDR) on behalf of the government, but also retains a 49 % share of NNDR received. The budgeted, rather than actual, total of the 49% share of NNDR attributable to the Council is recognised in the Comprehensive Income and Expenditure Statement. The difference between the budgeted 49% share and the actual amount received is transferred to the Collection Fund Adjustment Account and credited or debited to the Comprehensive Income and Expenditure Statement in future years.

xxv. 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.

xxvi. 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 2021-22

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

Accounting Standards Issued, not yet adopted

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

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

Accounting changes that will be introduced by the 2022-23 Code are:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards:
    - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard
    - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

These changes are not expected to have a material impact on the Council's Statement of Accounts.

Critical Judgements in applying Accounting Policies

The Council has made judgements about different transactions and the uncertainty of future events. The critical judgements made in the Statement of Accounts are:

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.

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 (62 in total). All other schools (18) 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 has Property, Plant and Equipment of £970.348m as at 31 March 2022. 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.
Pensions Liability	The Council had a pension liability of £870.558m at 31 March 2022. 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 £63.7m – a decrease from £3,348.9m to £3,285.2m.

Note 4. Adjustments between accounting basis and funding basis under Regulations 2021-22

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.

2020-21					2021-22			
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:				
33,681	-	-	(33,681)	Charges for depreciation and impairment of non current assets	34,804	-	-	(34,804)
6,878	-	-	(6,878)	Revaluation losses on property, plant and equipment	5,378	-	-	(5,378)
7,943	-	-	(7,943)	Movements in the market value of Investment Properties	(5,714)	-	-	5,714
143	-	-	(143)	Amortisation of intangible assets	117	-	-	(117)
(28,445)	-	-	28,445	Capital grants and contributions applied	(29,180)	-	-	29,180
7,666	-	(5,453)	(2,213)	Revenue expenditure funded from capital under statute (REFCUS)	6,737	-	(3,775)	(2,962)
16,502	-	-	(16,502)	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	18,590	-	-	(18,590)
-	-	-	-	Donated Assets	-	-	-	-
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
(24,435)	-	-	24,435	Statutory provision for the financing of capital investment	(24,647)	-	-	24,647
(4,897)	-	-	4,897	Capital expenditure charged against the General Fund	(2,942)	-	-	2,942
				Adjustments primarily involving the Capital Grants Unapplied Account:				
(10,748)	-	10,748	-	Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(35,179)	-	35,179	-
-	-	(625)	625	Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(9,402)	9,402
				Adjustments primarily involving the Capital Receipts Reserve				
(4,785)	5,077	-	(292)	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(3,869)	4,322	-	(453)
-	(2,979)	-	2,979	Use of the Capital Receipts Reserve to finance new capital expenditure	-	(4,163)	-	4,163
-	(2,097)	-	2,097	Used for debt repayment	-	-	-	-
-	(1)	-	1	Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	-	-	-
				Adjustments primarily involving the Deferred Capital Receipts Reserve:				
-	-	-	-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(10)	-	-	10
				Adjustments primarily involving the Financial Instruments Adjustment Account:				
(276)	-	-	276	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(276)	-	-	276
				Adjustments primarily involving the Pensions Reserve:				
109,607	-	-	(109,607)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	138,684	-	-	(138,684)
(48,123)	-	-	48,123	Employer's pensions contributions and direct payments to pensioners payable in the year:	(49,957)	-	-	49,957
				Adjustments primarily involving the Collection Fund Adjustment Account:				
36,103	-	-	(36,103)	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	(15,081)	-	-	15,081
				Adjustment primarily involving the Accumulated Absences Account:				
2,943	-	-	(2,943)	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.	429	-	-	(429)
99,757	**-**	**4,670**	**(104,427)**	**Total Adjustments between accounting basis & funding basis under regulations**	**37,884**	**159**	**22,002**	**(60,045)**

Note 5. Transfers to/from Earmarked Reserves

	Balance at 31 March 2020	Transfers Out	Transfers In	Balance at 31 March 2021	Transfers Out	Transfers In	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
General Fund							
General Fund Reserve	15,000	-	-	15,000	-	4,500	19,500
Schools Delegated Balances	31,922	(1,145)	11,153	41,930	-	3,625	45,555
Held by Council – Schools	-	(212)	1,145	933	(88)	-	845
LA Admission Appeals Reserve	-	-	-	-	(27)	200	173
A. Total General Fund Balance	**46,922**	**(1,357)**	**12,298**	**57,863**	**(115)**	**8,325**	**66,073**
Earmarked Reserves							
Reserves available to support future budget decisions	**10,300**	**-**	**400**	**10,700**	**-**	**-**	**10,700**
Earmarked Reserves							
Transitional and Risk	12,943	(2,128)	4,218	15,033	(6,998)	100	8,135
Exempt VAT	2,000	-	1,000	3,000	-	-	3.000
Producer City Initiative	157	-	-	157	-	-	157
PFI - Contracts	490	-	-	490	-	-	490
Employment Opportunities Fund	328	-	1,587	1,915	(1,169)	-	746
Insurance	1,775	(1,775)	-	-		-	-
Insurance Risk	1,893	-	-	1,893	(1,889)	-	4
Regional Growth Fund	3,741	(106)	-	3,635	(24)	-	3,611
Better Use of Budgets	-	-	5,166	5,166	(5,166)	-	-
Regional Revolving Investment Fund	625	-	-	625	-	-	625
Discretionary Social Fund	1,495	(98)	-	1,397	(171)	-	1,226
Match Fund Basic Needs Grant	700	-	-	700	(700)	-	-
Dilapidation & Demolition	946	(179)	1,000	1,767	(390)	-	1,377
Strategic Site Assembly & Develop	609	(300)	-	309	-	-	309
Redundancy Reserve	4,696	-	-	4,696	(948)	-	3,748
Implementation Reserve	1,108	(259)	655	1,504	-	-	1,504
NDR Volatility Reserve	2,735	(1,000)	-	1,735	(1,735)	1,378	1,378
Council Tax Reserve	575	-	-	575	(575)	-	-
Leeds City Region WYTF	421	-	-	421	-	-	421
Leeds City Region Economic Development	402	-	-	402	-	-	402
Finance Works Reserve	94	-	-	94	-	60	154
Markets Compensation	648	(325)	400	723	(321)	400	802
Financing Reserve 2019/20	1,000	-	-	1,000	-	-	1,000
ICT Programmes Budget	3,133	(1,709)	-	1,424	(1,890)	941	475
Children Services Investment Fund	1,039	(694)	400	745	(745)	-	-
S31 Business Rate Grants & TIG Reserve	16,854	(16,854)	34,995	34,995	(19,374)	3,559	19,180
Covid 19 funding allocation Reserve	13,011	(21,089)	30,227	22,149	(22,666)	517	-
Project Feasibility Reserve	-	-	2,000	2,000	(256)	-	1,744
Indexation Pressures Reserves	-	(1,295)	1,431	136	-	-	136
CT Hardship Reserves	-	-	99	99	(99)	-	-
Financing Reserve	52,573	-	-	52,573	-	-	52,573
	125,991	**(47,811)**	**83,178**	**161,358**	**(65,116)**	**6,955**	**103,197**
Reserves for capital investment							
Markets	102	(309)	300	93	(352)	300	41
Renewal and Replacement	5,137	-	-	5,137	(22)	-	5,115
	5,239	**(309)**	**300**	**5,230**	**(374)**	**300**	**5,156**
Service Earmarked Reserves							
PFI - BSF Unitary Charge	15,156	-	966	16,122	-	270	16,392
Supporting People	64	-	-	64	(64)	-	-
Integrated Health and Social Care	2,048	(100)	6,283	8,231	(1,241)	8,747	15,737
Community Support and Innovation Fund	302	(23)	-	279	-	-	279
Other	15,772	(4,170)	3,266	14,868	(2,291)	24,242	36,819
	33,342	**(4,293)**	**10,515**	**39,564**	**(3,596)**	**33,259**	**69,227**
Revenue Grant Reserves	**17,160**	**(4,112)**	**11,151**	**24,199**	**(9,650)**	**5,902**	**20,451**
HRA Reserve	-	-	503	503	(503)	-	-
B Total Earmarked Reserves	**192,032**	**(56,525)**	**106,047**	**241,554**	**(79,239)**	**46,416**	**208,731**
C Capital Grants Unapplied	33,630	(6,078)	10,748	38,300	(13,177)	35,179	60,302
D Capital Receipts Reserve	-	(5,077)	5,077	-	(4,163)	4,322	159
E Total Other Usable Reserves	**33,630**	**(11,155)**	**15,825**	**38,300**	**(17,340)**	**39,501**	**60,461**
Total Usable Reserves	**272,584**	**(69,037)**	**134,170**	**337,717**	**(96,694)**	**94,242**	**335,265**

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 (£66.1m)

A net £66.073m balance has been carried forward to 2022-23 (£57.863m at 31 March 2021). This includes £46.573m 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 £19.500m in 2021-22, an increase of £4.500m from 2020-21.

b) Earmarked Reserves (£208.7m)

In light of the ongoing reductions in Government funding since 2010, the Council has consistently applied its Reserves Policy to either fund one off priority investment or transitional activity whilst seeking to reduce its recurrent cost base.

In 2021-22 the overall level of earmarked reserves decreased by a net £32.8m from £241.6m at 31 March 2021 to £208.7m at 31 March 2022.

c) Capital Grants Unapplied Reserve (£60.3m)

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 Statement when grant conditions are met.

d) Capital Receipts Reserve (£0.2m)

When capital receipts are used either to repay debt or to fund capital investment, they are transferred from the Capital Receipts Unapplied Reserve to the Capital Adjustment Account.

Authorities are required to pay 75% of their housing capital receipts into a national pool. The Council was required to pay nil to the pool in 2021-22 (£1k in 2020-21). 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.

2020-21	Capital Receipts Reserve	2021-22
£000		**£000**
-	**Balance at 1 April**	**-**
	Usable receipts in the year	
4,785	Disposal of assets	3,869
292	Other capital receipts	453
(1)	Appropriation to (–) from Revenue Account re pooled housing receipts	-
(2,979)	Used to finance capital spending	(4,163)
(2,097)	Used for debt repayment	-
-	**Balance at 31 March**	**159**

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 2021-22 or 2020-21.

Note 7. Post Balance Sheet Events

Since 1 April nine schools have transferred to Academy status. The school assets have an estimated value of £54.9m at 31 March 2022 and due to the completion of a 125 year lease they will be removed from the Balance Sheet in 2022-23.

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

2020-21	Other Operating expenditure	2021-22
£000		**£000**
2,544	Parish Council Precepts	2,644
1	Payments to the Government Housing Capital Receipts Pool	-
11,764	Losses on the disposal of non-current assets	14,737
14,309	**Total**	**17,381**

b) Financing and Investment Income and Expenditure

2020-21	Financing and Investment Income and Expenditure	2021-22
£000		£000
33,629	Interest payable and similar charges (see table 8c below)	32,878
23,513	Net Interest on the Pension net defined benefit liability/(asset)	25,412
(260)	Interest receivable and other income	(337)
6,202	Income and expenditure in relation to investment properties and changes in their fair value	(7,265)
(751)	Other investment income	(264)
4,844	Net Deficit/surplus on Trading Accounts	4,495
67,177	**Total**	**54,919**

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

2020-21	Interest Payable and Similar Charges	2021-22
£000		£000
	External interest charges	
14,737	Public Works Loans Board	14,569
17,118	Interest on PFI and finance lease rentals	16,551
1,549	Lender Option Borrower Option (LOBO's)	1,542
210	Transferred debt	194
15	Interest on short term borrowing	22
33,629	**Total**	**32,878**

d)Taxation and Non-Specific Grant Income

2020-21	Taxation and Non-Specific Grant Income	2021-22
£000		£000
(203,629)	Council Tax income	(216,449)
(36,255)	Non domestic rates	(52,511)
(201,231)	Non-ring fenced government grants (see below)	(163,975)
(39,194)	Capital grants and contributions	(64,357)
-	Donated Assets Funding	-
(480,309)	**Total**	**(497,292)**

Revenue grants that do not relate to the delivery of a specific service are grouped together and shown as income in the Comprehensive Income and Expenditure Statement. In 2021-22 the Council received the following:

e) Government Grants

2020-21	Government grants (not attributable to specific services)	2021-22
£000		£000
(34,609)	Revenue Support Grant	(34,800)
(69,269)	Top Up Grant	(69,259)
(852)	Local Services Support Grant	(1,658)
(4,118)	New Homes Bonus Grant	(2,046)
(27,853)	Section 31 Grant, mainly relating to Business Rates and National Levy surplus	(28,716)
(38,563)	Covid 19 Support Grant	(18,524)
(12,973)	Income Compensation Scheme	(2,848)
(5,852)	Council Tax Hardship Grant	(6,124)
(7,142)	75% Tax Income Guarantee Compensation	-
(201,231)	**Total**	**(163,975)**

Note 9. Property, Plant and Equipment: Movements on Balances in 2021-22

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation								
At 1 April 2021	**32,747**	**608,852**	**55,288**	**54,280**	**13,266**	**21,153**	785,586	**48,544**
Additions	119	13,102	8,094	22	790	20,718	**42,845**	716
Revaluation in the Rev. Reserve	(307)	10,254	-	(9)	1,119	-	**11,057**	5,303
Revaluation in Surplus/Deficit on the Provision of Services	(11,757)	(26,659)	-	(146)	(1,696)	-	**(40,258)**	3,196
Derecognition – disposals	-	(16,906)	(1,857)	-	(39)	-	**(18,802)**	-
Derecognition – other	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(704)	-	-	(1,283)	-	**(1,987)**	-
Reclassifications	5,252	11,717	-	-	4,604	(21,826)	**(253)**	-
Other movements in cost or valuation	-	-	-	-	-	-	-	-
At 31 March 2022	**26,054**	**599,656**	**61,525**	**54,147**	**16,761**	**20,045**	**778,188**	**57,759**
At 1 April 2021	**(605)**	**(52,874)**	**(32,017)**	**(1)**	**(405)**	**-**	**(85,902)**	**(2,850)**
Depreciation charge	(543)	(15,301)	(5,521)	-	(75)	-	**(21,440)**	(1,040)
Depreciation w/o Revaluation Reserve	10	7,967	-	-	67	-	**8,044**	152
Depreciation w/o to the Surplus/Deficit on the Provision of Services	1,137	33,228	-	-	516	-	**34,881**	3,738
Impairment losses/(reversals) in the Revaluation Reserve	-	-	-	-	-	-	**-**	-
Impairment in Surplus/Deficit on the Provision of Services	-	-	-	-	-	-	**-**	-
Derecognition – disposals	-	532	1,810	-	-	-	**2,342**	-
Derecognition – other	-	-	-	-	-	-	**-**	-
Reclassifications – other	-	874	-	-	(702)	-	**172**	-
Other movements in depreciation & impairment	-	-	-	-	-	-	**-**	-
At 31 March 2022	**(1)**	**(25,574)**	**(35,728)**	**(1)**	**(599)**	**-**	**(61,903)**	**0**
At 31 March 2021 – Net Book Value	**32,142**	**555,978**	**23,271**	**54,279**	**12,861**	**21,153**	**699,684**	**45,694**
At 31 March 2022 – Net Book Value	**26,053**	**574,082**	**25,797**	**54,146**	**16,162**	**20,045**	**716,285**	**57,759**

Comparative Movements in 2020-21

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Community Assets	Surplus Assets	Assets Under Construction	**Total Property, Plant & Equipment**	PFI Assets Included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation								
At 1 April 2020	**36,274**	**611,701**	**50,085**	**54,278**	**13,034**	**13,223**	**778,595**	**48,325**
Additions	189	13,332	8,422	78	885	7,930	**30,836**	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**	**54,280**	**13,266**	**21,153**	**785,586**	**48,544**
At 1 April 2020	**-**	**(44,875)**	**(29,585)**	**-**	**(394)**	**-**	**(222,844)**	**(1,823)**
Depreciation charge	(605)	(14,820)	(5,564)	-	(65)	-	**(21,054)**	(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)**	**(1)**	**(405)**	**-**	**(233,892)**	**(2,850)**
At 31 March 2020 – Net Book Value	**36,274**	**566,826**	**20,500**	**54,278**	**12,640**	**13,223**	**703,741**	**46,502**
At 31 March 2021 – Net Book Value	**32,142**	**555,978**	**23,271**	**54,279**	**12,861**	**21,153**	**699,684**	**45,694**

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

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

Note 9a. Infrastructure Assets

	31 March 2021 £000	**31 March 2022 £000**
Net Book Value (modified historical cost) at 1st April	232,086	237,911
Additions	18,452	29,516
Derecognition	-	-
Depreciation	(12,627)	(13,242)
Impairment	-	(122)
Other Movements in cost	-	-
Net Book Value (modified historical cost) at 31st March	**237,911**	**254,063**

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

The Council has determined in accordance with Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

	31 March 2021 £000	**31 March 2022 £000**
Infrastructure Assets	237,911	254,063
Other PPE Assets	699,684	716,285
Total Property, Plant and Equipment Net Book Value	**937,595**	**970,348**

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 2021 to 30th April 2022. Assets reviewed as part of the 5-year plan were valued as at the 1st April 2021, with the exception of assets that had significant spend in year which were valued with effect from 31st March 2022.

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

The Council constructed a number of dwellings for rent, which are managed by a housing association on its behalf. The Council has 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	-	284	25,797	295	254,063	20,440	20,045	320,924
Held at Valuation Value in:								
2017-18	-	23,750	-	2,139	-	25,394	-	51,283
2018-19	-	15,143	-	1,404	-	4,946	-	21,493
2019-20	-	22,707	-	3,767	-	994	-	55,161
2020-21	-	18,940	-	3,366	-	1,034	-	23,340
2021-22	26,053	493,258	-	5,191	-	1,338	-	453,797
Total	**26,053**	**574,082**	**25,797**	**16,162**	**254,063**	**54,146**	**20,045**	**970,348**

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

Fair value measurement of surplus assets

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

There has been no change in the valuation technique used during the year for surplus assets. Surplus assets have been valued at the highest and best use. The fair value of surplus property has been measured using a market approach, which takes into account market conditions and quoted prices for similar assets in active markets. The valuers are of the opinion that all surplus assets are at Level 2 on the fair value hierarchy using significant observable inputs.

There have been no transfers between the different levels of hierarchy during the year.

Note 11. Capital Commitments and Obligations Under Long Term Contracts

a) Capital Commitments

The Council has an approved capital investment plan for the period 2021-22. At 31 March 2022 the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2020-21 and future years budgeted to cost £44.354m. Similar commitments at 31 March 2021 were £17.173m. The major commitments (over £0.250m) are:

Capital Commitments	2020-21 £000	2021-22 £000
SEN Expansion	912	-
Silsden Primary School	3,624	2,352
Wyke Sports Hub	4,430	516
Lister Park Playable Spaces	600	-
Vehicle Replacement	-	5,535
Bereavement Project	1,653	9,144
Coroners Court	2,278	-
WYCA Taxi EV Charge Point Project	265	-
WY+TF - Bradford to Shipley Corridor	1,329	748
Transforming Cities Fund	-	8,836
IP4 UTMC Maint & Op	-	500
South East Bradford Link Road	-	972
Smart Street Lighting	1,682	1,315
Clean Air Zone	400	-
City Centre Market	-	14,436
Total	**17,173**	**44,354**

b) Obligations Under Long-Term Contracts

There was no long term obligation at 31 March 2022.

Note 12. Heritage Assets

Tangible Heritage Assets

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

The Council held £37.648m heritage assets on its Balance Sheet as at 31 March 2022.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The Council acquires heritage assets in accordance with established Council Policies, i.e. the Acquisitions & Disposals Policy, Bradford Museums & Galleries. The policy of the Council is to manage and preserve its heritage assets and has no plans to dispose of them. Heritage assets are largely held in museums, managed by the Council, where there is public access. Other heritage assets are held for annual usage, such as the Lord Mayor's chain or items on display at City Hall.

The Council considers that the heritage assets held by the Council will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation in the financial statements in relation to these heritage assets.

Museum Collection – items on the Balance Sheet

The collection includes a wide range of material that collectively contributes to national / district knowledge and culture through their archaeological, historic, artistic, scientific, technological, geophysical and environmental qualities. These items are held at four main museums and two external stores within the district. More information on the collections can be found on the Council's website at http://www.bradfordmuseums.org

The Council owns approximately 691,000 items within the museum collections. It is not considered practical to individually value this entire collection, and so only those items which are considered to have a significant value are individually valued and recorded in the balance sheet at their current valuation.

In 2012-13 there was a review of the major pieces of the Fine Art Collection held at Cartwright Hall by external valuers Christies. For those items reviewed by Christies they have been included on the Balance Sheet based on auction values (lower range). During 2021-22 there has been one new valuation by external valuers resulting in a revaluation increase of £25,000. In addition, two paintings already included on the Balance Sheet have a revaluation decrease of £75,000 following review by external valuers Christies. Valuations for significant items of furniture, not currently included in the balance sheet figure, are due to be completed in July 2022.

In addition to external valuations the collection is considered for insurance values and four items are included on the Balance Sheet at insurance values which is based on values estimated by museum staff. The insurance values are considered annually.

Those items that are on temporary loan to the museum service have not been included in the Council's Balance Sheet as they are not the Council's assets.

Museum exhibits and works of art – overall collections

As explained in the note above, only those items which have a significant individual value are included in the balance sheet. Items within the collection are diverse, ranging from scientific specimens, to period fashion garments, to antique furniture. The Council has determined that it would not be practical within a justifiable level of cost to obtain individual valuations for its entire collection.

Civic Regalia
The Council's external valuer for its Civic Regalia (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 and the next one is due to be completed in 2022. The Council's Civic Regalia is mainly held in City Hall.

Statues and external works of art

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

For the majority of the statues, neither cost nor valuation information can be provided and therefore reported in the Balance Sheet. This relates to over 60 statues and memorials that are located across the district.

Other Heritage Assets

There are also potential heritage assets not included on the balance sheet and these include:

- Scheduled ancient monuments and regionally important geological sites – carved rocks and caves.
- Library archives - maps, photographs, newspapers & electoral rolls.
- Fossil Tree stumps.
- Statues and memorials across the district.

The Council also has a number of scheduled ancient monuments located on assets that it owns. In addition, there are records within the Library archives that are being held for historical reference. These assets cannot be valued because of the diverse nature of the assets and therefore cost or valuation information is not available as conventional valuation approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Also, some heritage assets have been classified as operational heritage assets when they are in use, for instance a building which is used for office accommodation or to house a museum collection. In these cases, the asset is classified according to its type, in this case as land and buildings within the Property Plant and Equipment balance.

No significant heritage assets were disposed of in 2021-22 or 2020-21.

Additions of Heritage Assets

There have been no significant purchases of heritage assets in 2021-22 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 £1.535 (see below Analysis of Rental Income and Management Costs of Investments), add the increase of £5.714m on fair value (see below reconciliation of Movements on Investments), add the gain on disposal of £0.016m comprise the £7.265m charge for investment properties in Note 8(b), Financing and Investment Income and Expenditure, page 40.

2020-21		2021-22
£000		**£000**
(2,427)	Rental income from investment property	(2,044)
(96)	Other income (service and other charges)	(156)
(2,523)		**(2,200)**
	Direct operating expenses:	
161	Repairs & maintenance	260
679	Management expenses	405
(1,683)	**Net (gain)**	**(1,535)**

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

2020-21	Reconciliation of Movements on Investments	2021-22
£000		**£000**
54,580	**Balance at 1 April**	**46,102**
33	Additions	251
(561)	Disposals	(300)
(7,943)	Net gains/losses(-) from fair value adjustments	5,714
	Transfers	
(7)	To/from Property, Plant and Equipment	192
46,102	**Balance at 31 March**	**51,959**

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 £0.117m charged to revenue in 2021-22 (£0.143m in 2020-21) 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:

	2020-21	2021-22
	£000	**£000**
Balance at 1 April each year		
Gross carrying amounts	20,325	19,702
Accumulated amortisation	(19,946)	(19,456)
Net carrying amount at start of year	**379**	**246**
Additions :		
Purchases	10	92
Other disposals	-	-
Amortisation for the period	(143)	(117)
Net carrying amount at end of year	**246**	**221**
Comprising :		
Gross carrying amounts	19,702	13,611
Accumulated amortisation	(19,456)	(13,390)

The intangible assets figure largely comprise the software required to run the Council's computer system. The Council has not been able to revalue this software due to its specialist nature as it has been specifically configured for the Council and is not easily comparable with any other system. However, the life of the system used for amortisation is estimated to be conservative, and the actual life should exceed the estimated life for accounting purposes.

Note 15. Long Term Investment

The Council's long term investment at 31 March 2022 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 16. Long Term Debtors

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

31 March 2021	Analysis of Long Term Debtors	31 March 2022
£000		£000
527	Collection Fund	-
446	Car loans	414
227	Building Schools for the Future Ltd	213
479	Loans to organisations	847
4	Housing Advances	4
210	Balance owing on sale of assets on finance lease(s)	210
532	Other	5,304
2,425	**Total**	**6,992**

Note 17. Current Assets and Current Liabilities

31 March 2021 £000	Inventories	31 March 2022 £000
3,458	Personal Protective Equipment	2,284
2,296	Other	2,875
5,754	**Total**	**5,159**

Short term Debtors and Payments in Advance

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

31 March 2021	Analysis of Debtors and Payments in Advance	31 March 2022
£000		£000
	Amounts falling due within one year	
50,650	Central Government bodies	31,548
6,801	Other local authorities	9,448
11,851	NHS bodies	27,379
651	Public corporations and trading funds	3
80,159	Other entities and individuals	69,020
6,559	General payments in advance	9,071
156,671	**Total**	**146,469**
	Less Impairments	
19,805	Collection Fund	17,111
9,205	Other	10,438
127,661	**Net Total**	**118,921**

The net debtors have decreased from a total of £127.661m at 31 March 2021 to £118.921m at 31 March 2022, a decrease of £8.740m.

Short Term Investments

The Council has short term investments of £88.614m; see Balance Sheet (£80.004m 2020-21). 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 2022, nil balances were invested less than 90 days in short term deposits, banks and building societies (£14.0m at 31 March 2021)

31 March 2021 £000		31 March 2022 £000
590	Cash held by the Council	111
67,981	Bank accounts	119,002
14,000	Short term deposits with building societies and banks	-
82,571	**Total Cash and Cash Equivalents**	**119,113**
(3,413)	Cash and Cash Equivalents Overdrawn	(5,949)
79,158	**Total net Cash and Cash Equivalents**	**113,164**

The Council also has short term borrowings of £56.56m (£8.964m 2020-21).

Creditors and Receipts in Advance

31 March 2021	Analysis of Creditors and Receipts in Advance	31 March 2022
£000		£000
	Amounts falling due within one year	
(70,920)	Central Government bodies	(53,751)
(975)	Other local authorities	(325)
(1,537)	NHS bodies	(3,919)
(509)	Public corporations and trading funds	(162)
(71,916)	Other entities and individuals	(71,536)
(145,857)	**Total**	**(129,693)**
	Receipts in advance	
(35,594)	Sundry	(57,820)
(4,420)	Developer’s contributions	(5,468)
(40,014)	**Total**	**(63,288)**
(185,871)	**Total Creditors and Receipts in Advance**	**(192,981)**

Note 18. Assets held for sale

Current Assets Held For Sale	2020-21	2021-22
	£000	£000
Balance outstanding at start of year	**2,536**	**225**
Additions	-	-
Assets newly classified as held for sale: - Property, Plant and Equipment	819	1,876
Revaluation losses	-	-
Assets declassified:		
- Property, Plant and Equipment	-	-
Assets sold	(3,130)	(1,832)
Balance outstanding at year end	**225**	**269**

Note 19. Provisions

The provisions totals of £13.727m at 31 March 2022 and £15.788m at 31 March 2021 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, £10.192m at 31 March 2022 (£5.188m at 31 March 2021). Long term provisions are those expecting to be used more than 12 months after the Balance Sheet date, £3.535m at 31 March 2022 (£10.600m at 31 March 2020).

	Termination	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**
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**
Additional provisions made in 2021-22	722	-	-	1,148	1,762	2,990	**6,622**
Amounts used in 2021-22	(628)	-	(325)	(714)	(1,166)	(3,525)	**(6,358)**
Unused amounts reversed in 2021-22	-	-	-	(916)	(1,409)	-	**(2,325)**
Balance at 31 March 2022	**149**	**93**	**561**	**3,139**	**2,208**	**7,577**	**13,727**

Short-Term	149	93	-	1,348	1,025	7,577	**10,192**
Long-Term	-	-	561	1,791	1,183	-	**3,535**
Balance at 31 March 2022	149	93	561	3,139	2,208	7,577	**13,727**

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 (£0.150m) – 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 2022-23.

Personal Search fees (£0.093m) – 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 (£0.561m) – 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 (£3.139m and £2.208m) – 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:

2020-21 £000	**Analysis of Insurance Provision (Outstanding Legal Cases & Injury and Damage Compensation Claims)**	**2021-22 £000**
12	Property	12
9	Other	-
6,295	Liability	4,848
325	Motor	487
6,641	**Total**	**5,347**

Business Rates Appeals (£7.577m) – The provision reflects the estimate of the amount of Business Rates to be repaid to ratepayers, following any future successful appeals against rateable values.

Note 20. Unusable Reserves

2020-21		2021-22
£000		£000
175,350	(a) Revaluation Reserve	186,431
148,854	(b) Capital Adjustment Account	171,021
(5,408)	(c) Financial Instruments Adjustment Account	(5,132)
(1,234,891)	(d) Pensions reserve	(870,558)
1,161	(e) Deferred capital receipts reserve	718
(34,881)	(f) Collection Fund Adjustment Account	(19,800)
(13,184)	(g) Accumulated Absences Account	(13,613)
(962,999)	**Total Unusable Reserves**	**(550,933)**

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 2021-22, the Reserve has decreased from £175.350m to £159.901m, a decrease of £15.449m.

2020-21		2021-22
£000		£000
174,538	**Balance at 1 April**	**175,350**
12,121	Upward revaluation of assets	49,758
(5,175)	Downward revaluation of assets not charged to the Surplus or Deficit on the Provision of Services	(30,707)
-	Impairments not charged to the Surplus or Deficit on the Provision of Services	-
6,946	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**19,051**
(3,161)	Difference between fair value depreciation and historical cost depreciation	(3,077)
(2,973)	Accumulated gains on assets sold or scrapped	(4,893)
(6,134)	**Amount written off to the Capital Adjustment Account**	**(7,970)**
175,350	**Balance at 31 March**	**186,431**

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.

2020-21		2021-22
£000		£000
146,601	**Balance at 1 April**	**148,854**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(33,681)	- Charges for depreciation and impairment of non-current assets	(34,804)
(6,878)	- Revaluation losses on Property, Plant and Equipment	(5,378)
(143)	- Amortisation of Intangible Assets	(117)
(2,213)	- Revenue expenditure funded from capital under statute (REFCUS)	(2,962)
(16,502)	- 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	(18,590)
6,134	- Adjusting amounts written out of the Revaluation Reserve	7,970
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year :	
2,980	- Use of the Capital Receipts Reserve to finance new capital expenditure	4,163
2,097	- Use of Capital Receipts Reserve to pay debt	-
26,533	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	25,198
625	- Application of grants to capital financing from the Capital Grants Unapplied Account	9,402
1,912	- Allocation of grants to capital financing from the Capital Grants Receipts in Advance Account	3,982

-	- Donated assets and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	-
24,435	- Statutory provision for the financing of capital investment charged against the General Fund	24,647
4,897	- Capital expenditure charged against the General Fund balance	2,942
(7,943)	- Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	5,714
148,854	**Balance at 31 March**	**171,021**

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.

2020-21		2021-22
£000		**£000**
(5,684)	**Balance at 1 April**	**(5,408)**
	Premiums incurred in year	
257	Proportion of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	256
19	Removal of Effective Interest Rate on stepped interest loans	20
276	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	**276**
(5,408)	**Balance at 31 March**	**(5,132)**

d) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post- employment benefits and for funding benefits in accordance with statutory provisions. See Note 27 for full explanation.

2020-21		2021-22
£000		**£000**
(1,046,169)	**Balance at 1 April**	**(1,234,891)**
(127,238)	Remeasurement of net defined benefit liability	453,060
(109,607)	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	(138,684)
48,123	Employer’s pensions contributions and direct payments to pensioners payable in the year	49,957
(1,234,891)	**Balance at 31 March**	**(870,558)**

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.

2020-21		2021-22
£000		**£000**
1,453	**Balance at 1 April**	**1,161**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the comprehensive income and expenditure statement	10
(292)	Transfer to the Capital Receipts Reserve upon receipt of cash	(453)
1,161	**Balance at 31 March**	**718**

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.

2020-21		2021-22
£000		£000
1,222	**Balance at 1 April**	**(34,881)**
(36,103)	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	15,081
(34,881)	**Balance at 31 March**	**(19,800)**

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.

2020-21		2021-22
£000		£000
(10,241)	**Balance at 1 April**	**(13,184)**
10,241	Settlement or cancellation of the accrual made at the end of the preceding year	13,184
(13,184)	Amounts accrued at the end of the current year	(13,613)
(2,943)	**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**.	**(429)**
(13,184)	**Balance at 31 March**	**(13,613)**

Note 21. Cash Flow Statement

a) Operating activities

The cash flows for operating activities include the following items:

2020-21		2021-22
£000		£000
310	Interest Received	239
(33,692)	Interest paid	(33,000)
751	Dividends Received	264

b) Investing Activities

The cash flows for investing activities include the following items:

2020-21		2021-22
£000		£000
(49,193)	Purchase of property, plant and equipment, investment property and intangible assets	(71,616)
(172,199)	Purchase of short term and long term investments	(238,890)
-	Other payments for investing activities	(5,152)
5,077	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,322
111,193	Proceeds from short term and long term investments	230,395
51,284	Other receipts from investing activities	84,458
(53,838)	**Net cash flows from investing activities**	**3,517**

c) Financing Activities

The cash flows for financing activities include the following items:

2020-21		2021-22
£000		£000
19,999	Cash receipts of short and long term borrowing	42,192
-	Other receipts from financing activities	-
(8,116)	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on Balance Sheet PFI contracts	(8,242)
(31,979)	Repayments of short and long term borrowing	(5,648)
(32,296)	Other payments for financing activities	13,698
(52,392)	**Net cash flows from financing activities**	**42,000**

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

2020-21	Reconciliation of the Surplus on Revenue to Operating Revenue Activities Net Cash Flow	2021-22
£000		**£000**
(39,294)	**Net deficit (-) / surplus for year on the Comprehensive Income and Expenditure Account**	**(62,497)**
	Add back non-cash items:	
33,681	Depreciation & impairment	34,804
6,878	Impairment, revaluation gains and losses	5,378
143	Amortisation	117
61,484	IAS19 Pension adjustments	88,727
-	Donated Assets non-cash funding	-
	Items on accruals basis:	
(3,484)	(Increase) / decrease in inventories	595
(16,113)	(Increase) / decrease in amounts due from Council (debtors)	(6,457)
86,667	Increase / (decrease) in amounts due to Council (creditors)	5,754
16,502	Carrying amount of disposals	18,590
(8,780)	Movement in provisions	(2,061)
7,924	Other non-cash items charged to the net surplus or deficit on the provision of services	(5,732)
184,902	**Removal of non-cash items included in Deficit/Surplus on Provision of services**	**139,715**
	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	
(46,103)	Capital Grants credited to surplus or deficit on the provision of services	(84,850)
(4,785)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,879)
(50,888)	**Sub-total items for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**(88,729)**
94,720	**Operating activities - net cash flow**	**(11,511)**

e) Reconciliation of Liabilities Arising from Financing Activities

	1 April 2021	Financing cash flows	Changes which are not financing cash flows		31 March 2022
			Other cash flows	Other non cash changes	
	£000	**£000**	**£000**	**£000**	**£000**
Long-term borrowings	330,531	4,494	-2	-15,529	319,494
Short-term borrowings	8,964	32,189	(3,453)	18,860	56,560
Lease Liabilities	931	(309)	-	173	795
On balance sheet PFI Liabilities	153,999	(7,933)	-		146,066
Transferred debt	3,810	(137)	-	-	3,673
Amounts owed to/from Collection Fund preceptors	(28,753)	13,698	-	-	(15,055)
Total Liabilities from financing activities	**469,482**	**42,002**	**(3,455)**	**3,504**	**511,533**

Note 22. 2021-22 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 2021-22 Outturn Statement	Reclassification for the CIES	Net Expenditure in the CIES	Adjustments between Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund
	£000	£000	£000	£000	£000
	A	B	C = A + B	D	E = C + D
Health and Wellbeing	121,756	2,151	123,907	(12,650)	**111,257**
Children's Services	131,341	6,956	138,297	(36,587)	**101,709**
Department of Place	123,251	7,311	130,562	(50,809)	**79,753**
Chief Executive	4,863	235	5,099	(926)	**4,172**
Corporate Resources	54,842	9,016	63,858	(15,529)	**48,329**
Non-Service Budgets	(48,894)	49,964	1,069	9,196	**10,266**
Central Budgets	(19,606)	44,304	24,697	-	**24,698**
Net Cost of Services	**367,553**	**119,937**	**487,488**	**(107,305)**	**380,184**
Other Operating Expenditure	-	17,381	17,381	(14,721)	2,660
Financing and Investment income and expenditure	-	54,919	54,919	(23,162)	31,757
Taxation and non-specific grant income	(385,373)	(111,920)	(497,292)	79,439	(417,853)
Earmarked Reserves	-	-	-	(32,823)	(32,823)
Increase in School Delegated Balances	-	-	-	3,710	3,710
Statutory Provision for the financing of capital expenditure	-	-	-	4,500 24,647	4,500 24,647
Capital expenditure charged against the General Fund	-	-	-	2,942	2,942
Financial Instruments Adjustment Account	-	-	-	276	276
Surplus (-)/Deficit on Provision of Services				**(62,497)**	**(-)**
General Fund Balance brought forward					15,000
General Fund Balance carried forward					19,500

2020-21 Expenditure Funding Analysis

The Expenditure and Funding Analysis for 31 March 2021 is as follows:

	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	103,069	(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 Budget	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 investment	-	-	-	24,435	**24,435**
Capital Expenditure charged against the General Fund	-	-	-	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

2021-22 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	-	1,472	11,105	73	-	12,650
Children's Services	-	6,726	29,599	263	-	36,587
Department of Place	-	33,966	16,777	65	-	50,809
Chief Executive	-	-	936	(10)	-	926
Corporate Resources	-	4,788	10,668	73	-	15,529
Non Service	-	1	(9,187)	(10)	-	(9,196)
Central Budget & Net Transfers to Reserves	-	-	-	-	-	-
Net Cost of Services	**-**	**64,773**	**59,898**	**455**	**-**	**107,305**
Other Operating Expenditure	-	14,721	-	-	-	14,721
Financing and Investment income and expenditure	-	(5,643)	28,830	(25)	-	23,162
Taxation and non-specific grant income	-	(64,357)	-	-	(15,082)	(79,439)
Earmarked Reserves	32,823	-	-	-	-	32,823
Increase in School Delegated Balances	(3,710)	-	-	-	-	(3,710)
Increase in General Fund Reserve	(4,500)	-				(4,500)
Minimum Revenue Provision	-	(24,647)	-	-	-	(24,647)
Direct Revenue Financing	-	(2,942)	-	-	-	(2,942)
Financial Instrument Adjustment Account	-	-	-	-	(276)	(276)
Total Adjustments between accounting basis & funding basis under regulations	**24,613**	**(18,094)**	**88,727**	**430**	**(15,358)**	**62,497**

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 & Financial Instruments) £000	Total Adjustments £000
Health and Wellbeing	-	1,657	5,992	580	-	8,229
Children's 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)
Reduction 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**

Nature of Expenditure

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

2020-21 £000	Expenditure and Income Analysed by Nature	2021-22 £000
	Expenditure	
493,980	Employee Benefits	540,644
660,329	Other Service Expenses	714,663
48,710	Depreciation, amortisation, impairment	35,030
33,630	Interest Payments	32,878
23,513	Net Interest on the Pension Net defined benefit liability / (asset)	25,412
24,770	Precepts and Levies	25,566
1	Payments to Housing Capital Receipts Pool	-
11,764	(Gain) / Loss on the disposal of assets	14,737
1,296,696	**Total Expenditure**	**1,388,928**
	Income	
(117,273)	Fees, charges and other service Income	(151,291)
(1,011)	Interest and investment income	(601)
(239,885)	Income from council tax, non-domestic rates	(268,960)
(899,234)	Grants and Contributions	(905,580)
(1,257,403)	**Total Income**	**(1,326,432)**
39,293	**Surplus or Deficit on the Provision of Service**	**62,497**

Note 23. Acquired and Discontinued Operations

There were no acquired or discontinued operations during 2021-22 or 2020-21.

Note 24. **Pooled Budgets**

Better Care Fund

The Better Care Fund (BCF) is a programme spanning both the NHS and local government. It has been created to improve the lives of some of the most vulnerable people in our society, placing them at the centre of their care and support, and providing them with "wraparound" fully integrated health and social care, resulting in an improved experience and better quality of life.

The BCF agreement has been set up under Section 75 of the NHS Act 2006. The total BCF and iBCF in 2021-22 was £69.790m. It is a pooled budget with Bradford District and Craven Clinical Commissioning Group.

	2020-21	2021-22
	£000	£000
Funding provided		
Bradford & Airedale Community Equipment	1,563	1,563
Care Bill Implementation support	1,417	1,417
Protect Social Services	17,371	18,473
Re-ablement	1,558	1,558
Carers	960	960
Capital Funding	5,137	5,137
Total LA Better Care Fund	**28,006**	**29,107**
Better Care Fund	17,021	17,982
iBCF	22,701	22,701
Total Better Care Fund funding	**67,728**	**69,790**
Total expenditure	**64,696**	**69,394**
Surplus/(Deficit) C/fwd to next year	3,032	396

Whilst the section 75 agreement between Bradford District and Craven CCG and 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 Bradford District and Craven CCG 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 25. Termination Benefits

In 2021-22 the Council incurred voluntary and compulsory redundancy costs of £0.394m (£0.258m in 2020-21) together with £0.157m (£0.363m in 2020-21) 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 26. 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 11,885 participating employers in 2020-21, including 172 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 2022, the Council's own contributions equate to approximately 0.21%.

In 2021-22, the Council paid £18.889m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2020-21 were £19.328m and 23.68%. There were contributions remaining payable at the year-end of £1.570m. The contributions due to be paid in the next financial year are estimated to be £17.690m.

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 27.
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 8,057 participating employers as at 31 March 2021, including 133 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 2022, the Council's own contributions equate to approximately 0.001%.

In 2021-22, the Council paid £0.143m 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 2020-21 were £0.139m and 14.38%, plus an additional £0.24m and 2.5%. There were contributions remaining payable at the year-end of £0.013m. The contributions due to be paid in the next financial year are estimated to be £0.286m.

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 27.

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

Note 27. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

a) The Local Government Pension Scheme, administered through a number of separate regional funds. The Council is a member of the West Yorkshire Pension Fund – this is a funded career average defined benefit scheme. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets, determined by the fund's professionally qualified actuary at 31 March 2019 for the three years 1 April 2020 to 31 March 2023. The contribution rates set by the actuary are intended to balance the fund's liabilities with the investment assets over the period. The employer contribution rate for the year 2021-22 in respect of Bradford members of the West Yorkshire Pension Fund was 17.1%.
b) Arrangements for the award of discretionary post-retirement benefits upon early retirement – these are unfunded defined benefit arrangements, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

The West Yorkshire Pension Fund pension scheme is operated under the regulatory framework for the Local Government Pension Scheme. City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF) with statutory responsibility for the management and administration of the Fund, has delegated legal and strategic responsibility for the WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Policy is determined in accordance with the Pensions Fund Regulations. The Fund's entire investment portfolio is managed on a day to day basis in-house, supported by the Fund's external advisers.

The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute, as described in the accounting policies note.

Discretionary Post-Retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no plan assets built up to meet these pension liabilities.

Transactions Relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax (i.e. the statutory amount charged against the General Fund balance) is based on the cash payable in the year (i.e. the total contribution paid by the Council under the pension regulations), so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total	
	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000
Comprehensive Income and Expenditure Statement								
Cost of Services:								
· Current service cost*	80,049	113,272	-	-	-	-	80,049	113,272
· Past service costs	6,045	-	-	-	-	-	6,045	-
· Gain (-) / loss from settlements	-	-	-	-	-	-	-	-
Financing and Investment Income and Expenditure								
· Net interest expense	21,036	23,147	878	799	1,599	1,466	23,513	25,412
Total Post-Employment Benefit Charged to the Surplus or Deficit on Provision of Services	**107,130**	**136,419**	**878**	**799**	**1,599**	**1,466**	**109,607**	**138,684**
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)	(402,441)	(209,495)	-	-	-	-	(402,441)	(209,495)
· Actuarial gains (-) and losses arising on changes in demographic assumptions	-	(33,843)	-	(546)	-	(991)	-	(35,380)
· Actuarial gains (-) and losses arising on changes in financial assumptions	572,512	(215,298)	2,750	(880)	5,162	(1,662)	580,424	(217,840)
· Actuarial gains (-) and losses due to liability experience	(49,190)	9,243	(550)	145	(1,005)	267	(50,745)	9,655
Total Post-Employment Benefit charged to the Comprehensive Income and Expenditure Statement	**228,011**	**(312,974)**	**3,078**	**(482)**	**5,756**	**(920)**	**236,845**	**(314,376)**
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	(107,130)	(136,419)	(878)	(799)	(1,599)	(1,466)	(109,607)	**(138,684)**
Actual amount charged against the General Fund balance for pensions in the year:								
· Employers' contributions payable to the scheme	**39,310**	**41,427**	**-**	**-**	**-**	**-**	**39,310**	**41,427**
· Retirement benefits payable to pensioners	**-**	**-**	**3,269**	**3,144**	**5,544**	**5,386**	**8,813**	**8,530**

* The current service cost includes an allowance for the administration expenses of £0.908m in 2021-22 (£1.046m in 2020-21).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

Pensions Assets and Liabilities Recognised in the Balance Sheet	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total Per Balance Sheet	
	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000
Present value of the defined benefit obligation	3,477,897	3,348,870	39,604	35,978	72,483	66,177	3,589,984	3,451,025
Fair value of plan assets	2,355,092	2,580,466	-	-	-	-	2,355,092	2,580,466
Impact of minimum funding requirement/asset ceiling	-	-	-	-	-	-	-	-
Net liability arising from defined benefit obligation - closing balance at 31 March	**1,122,805**	**768,404**	**39,604**	**35,978**	**72,483**	**66,177**	**1,234,892**	**870,559**

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

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets:	Local Government Pension Scheme		Local Government Pension Scheme Discretionary Benefits Arrangements		Teachers Voluntary Early Retirement Discretionary Benefits Arrangements		Total	
	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000
Opening balance at 1 April	**1,946,509**	**2,355,092**	**-**	**-**	**-**	**-**	**1,946,509**	**2,355,092**
Interest income on assets	44,345	49,118	-	-	-	-	44,345	49,118
Remeasurement gains and losses (-) on assets	402,441	209,495	-	-	-	-	402,441	209,495
Contributions from employer	39,310	41,427	3,269	3,144	5,544	5,386	48,123	49,957
Contributions from employees into the scheme	14,489	15,167	-	-	-	-	14,489	15,167
Benefits paid*	(92,002)	(89,833	(3,269)	(3,144)	(5,544)	(5,386)	(100,815)	(98,363)
Net increase in assets from disposals/acquisitions	-	-	-	-	-	-	-	-
Settlements	-	-	-	-	-	-	-	-
Closing balance at 31 March	**2,355,092**	**2,580,466**	**-**	**-**	**-**	**-**	**2,355,092**	**2,580,466**

* 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	
	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000	2020-21 £000	2021-22 £000
Opening balance at 1 April	**2,880,613**	**3,477,897**	**39,795**	**39,604**	**72,271**	**72,483**	**2,992,679**	**3,589,984**
Current service cost	80,049	113,272	-	-	-	-	80,049	113,272
Interest cost	65,381	72,265	878	799	1,599	1,466	67,858	74,530
Contributions from scheme participants	14,489	15,167	-	-	-	-	14,489	15,167
Remeasurement gains (-) and losses:							-	-
Actuarial gains (-) and losses arising from changes in demographic assumptions	-	(33,843)	-	(546)	-	(991)	-	(35,380)
Actuarial gains (-) and losses arising from changes in financial assumptions	572,512	(215,298)	2,750	(880)	5,162	(1,662)	580,424	(217,840)
Actuarial gains (-) and losses due to liability experience	(49,190)	9,243	(550)	145	(1,005)	267	(50,745)	9,655
Past service costs	6,045	-	-	-	-	-	6,045	-
Benefits paid	(92,002)	(89,833)	(3,269)	(3,144)	(5,544)	(5,386)	(100,815)	(98,363)
Net increase in liabilities from disposals/acquisitions	-	-	-	-	-	-	-	-
Liabilities extinguished on settlements	-	-	-	-	-	-	-	-
Closing balance at 31 March	**3,477,897**	**3,348,870**	**39,604**	**35,978**	**72,483**	**66,177**	**3,589,984**	**3,451,025**

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 2021	31st March 2021	31st March 2022	31st March 2022	31st March 2022	31st March 2022	31st March 2022	31st March 2022
	Total £000	Total %	Quoted £000	Quoted %	Unquoted £000	Unquoted %	Total £000	Total %
Equity investments	1,898,204	80.6	1,749,556	67.8	309,656	12.0	2,059,212	79.8
Government bonds	193,118	8.2	190,955	7.4	-	-	190,955	7.4
Other bonds	91,849	3.9	123,862	4.8	-	-	123,862	4.8
Cash	47,102	2.0	-	-	74,834	2.9	74,834	2.9
Property	89,493	3.8	41,287	1.6	61,931	2.4	103,218	4.0
Other assets	35,326	1.5	-	-	28,385	1.1	28,385	1.1
Total	**2,355,092**	**100**	**2,,105,660**	**81.6**	**474,806**	**18.4**	**2,580,466**	**100**

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

- the West Yorkshire Pension Fund Financial Statements and Explanatory Notes in City of Bradford Metropolitan District Council's accounts, available at www.bradford.gov.uk
- the West Yorkshire Pension Fund Report and Accounts, available at www.wypf.org.uk

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Aon 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-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22
Mortality Assumptions	years	years	years	years	years	years
Longevity at 65 for current pensioners (aged 65 at accounting date):						
Men	21.9	21.8	21.9	21.8	21.9	21.8
Women	24.7	24.6	24.7	24.8	24.7	24.6
Longevity at 65 for future pensioners (aged 45 at accounting date):						
Men	22.6	22.5	-	-	-	-
Women	25.8	25.7	-	-	-	-

Commutation i.e. take-up of option to convert annual pension into retirement lump sum. Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre-2008 service) is 75% of the permitted maximum.

Financial assumptions	% per annum	% per annum	% per annum	% per annum	% per annum	% per annum
Rate of CPI inflation	2.7	3.0	2.7	3.0	2.7	3.0
Rate of increase in salaries	3.95	4.25	-	-	-	-
Rate of increase in pensions	2.7	3.0	2.7	3.0	2.7	3.0
Pension accounts revaluation rate	2.7	3.0	-	-	-	-
Discount rate	2.1	2.7	2.1	2.7	2.1	2.7

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in mortality/longevity, for example, assume that post-retirement mortality age rating increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period. Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Impact on the Defined Benefit Obligation in the Scheme

	Present Value of the Defined Benefit Obligation After Increase in Assumption	Change in Present Value of Defined Benefit Obligation	Present Value of Defined Obligation Benefit After Decrease in Assumption	Change in Present Value of Defined Benefit Obligation
	£000	%	£000	%
Mortality/Longevity i.e. Post-retirement mortality age rating * - increase or decrease by 1 year	3,231,660	-3.5	3,466,080	3.5
Rate of increase in salaries - increase or decrease by 0.1%	3,355,568	0.2	3,342,172	-0.2
Rate of increase in pensions - increase or decrease by 0.1%	3,405,801	1.7	3,291,939	-1.7
Discount rate i.e. Rate for discounting scheme liabilities - increase or decrease by 0.1%	3,285,241	-1.9	3,415,847	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 2023 are £42.541m.

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 2023 are £3.241m and £5.553m, 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 2022 (19.5 years at 31 March 2021).

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 2022 (8.6 years at 31 March 2021) & the weighted average duration of the unfunded defined benefit obligation for Teachers Voluntary Early Retirement Discretionary Benefits is 8.9 years at 31 March 2022 (8.9 years at 31 March 2021).

Note 28. Members' Allowances

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

Members Allowances	2020/21	2021/22
	£000	£000
Basic Allowances	1,208	1,217
Special Responsibility Allowances	564	557
Expenses	1	1
Total	**1,773**	**1,775**

Note 29. 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 2020-21	Employees Emoluments	Number of Employees 2021-22
184	£50,000 – £54,999	186
95	£55,000 – £59,999	110
41	£60,000 – £64,999	43
45	£65,000 – £69,999	37
42	£70,000 – £74,999	36
24	£75,000 – £79,999	32
18	£80,000 – £84,999	21
8	£85,000 – £89,999	15
5	£90,000 – £94,999	5
7	£95,000 – £99,999	3
2	£100,000 – £104,999	5
4	£105,000 – £109,999	1
0	£110,000 – £114,999	1
0	£115,000 – £119,999	0
1	£120,000 – £124,999	1
0	£125,000 – £129,999	0
1	£130,000 – £134,999	0
2	£135,000 – £139,999	1
0	£140,000 – £144,999	0
0	£145,000 – £149,999	0
0	£150,000 – £154,999	0
1	£155,000 – £159,999	1
0	£160,000 – £164,999	0
0	£165,000 – £169,999	0
0	£170,000 – £174,999	0
0	£175,000 – £179,999	0
480	**Total**	**498**

The above figures include 263 teachers (277 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.

2021-22 Senior Officers (excluding Employer Pension contributions)

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

Post Title	Salary including Fees & Allowances	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding Pensions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Chief Executive - Kersten England	197,547	-	-	-	197,547	33,780	**231,327**
Strategic Director Corporate Resources - Joanne Hyde	151,062	-	-	-	151,062	25,832	**176,894**
Strategic Director Health & Wellbeing - Iain MacBeath	151,062	-	-	-	151,062	25,832	**176,894**
Strategic Director Place from 01/09/21 - Jason Longhurst	88,120	-	-	-	88,120	15,068	**103,188**

2021-22 Senior Officers' Remuneration (annual salary is less than £150,000)

Post Title	Salary including Fees & Allowances	Expense Allowances	Compensation for loss of Office	Benefits in Kind	Total Remuneration excluding Pensions	Pension Contributions	Total Remuneration including pension contributions
	£	£	£	£	£	£	£
Strategic Director Children's Services to 31/10/21	85,679	-	88,403	-	174,082	14,651	**188,733**
Interim Strategic Director Children's Services from 01/11/21	60,038	-	-	-	60,038	10,266	**70,304**
Director of Finance & IT	115,471	-	-	-	115,471	19,746	**135,217**
Director West Yorkshire Pension Fund	115,112	-	-	-	115,112	19,684	**134,796**
Director of Human Resources	106,677	-	-	-	106,677	18,242	**124,919**
City Solicitor	106,677	-	-	-	106,677	18,242	**124,919**
Director of Public Health	106,677	-	-	-	106,677	18,007	**124,684**
Assistant Director - Office of the Chief Executive from 01/10/21 (previously Acting Assistant Director - Office of the Chief Executive from 29/06/20)	100,749	-	-	-	100,749	17,228	**117,977**

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	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 to 16/08/20	55,495	-	-	-	55,495	-	**55,495**
Strategic Director Health & Wellbeing 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**

Election Duty Remuneration 2021-22

No elections were held in 2020-21, therefore comparative figures are not available.

Post Title and Holder	Salary £	Pension £	Total £
Chief Executive - Kersten England	13,079	2,237	**15,316**
Strategic Director Corporate Resources – Joanne Hyde	2,180	373	**2,553**

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 2020-21	Cost to Council 2020-21	Cost Bandings	Number of Exit Packages 2021-22	Cost to Council 2021-22
	£			£
6	61,182	£0 - £19,999	4	30,435
-	-	£20,000 - £39,999	-	-
-	-	£40,000 - £59,999	-	-
-	-	£60,000 - £79,999	-	-
-	-	£80,000 - £99,999	-	-
-	-	£100,000 - £149,999	2	213,353
-	-	£150,000 - £199,999	-	-
-	-	£200,000 - £249,999	1	225,687
6	**61,182**	**Total**	**7**	**469,475**

Other Departures				
Number of Exit Packages 2020-21	Cost to Council 2020-21	Cost Bandings	Number of Exit Packages 2021-22	Cost to Council 2021-22
	£			£
32	194,458	£0 - £19,999	59	267,535
2	52,373	£20,000 - £39,999	8	226,484
-	-	£40,000 - £59,999	-	-
-	-	£60,000 - £79,999	1	61,594
1	81,038	£80,000 - £99,999		
-	-	£100,000 - £149,999	-	-
-	-	£150,000 - £199,999	-	-
-	-	£200,000 - £249,999	-	-
36	**327,869**	**Total**	**68**	**555,613**

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

Note 30. Capital Charges and the Repayment of External Loans

Services have been charged or credited within the Comprehensive Income and Expenditure Statement for:

- The depreciation and impairment of non-current assets.
- Expenditure on Revenue Expenditure Funded from Capital under Statute (REFCUS).

These charges are not required by statute and have therefore been removed when calculating the Movement on the General Fund Balance.

The MRP for 2021-22 is £24.647m, (2020-21 £24.435m).

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 £2.942m in 2021-22 (£4.897m in 2020-21) 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 £14.721 in 2021-22 is made up of £18.59m from the de-recognition of assets and £3.869m in capital receipts. There was a loss on disposal in 2021-22 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 31. Leases

Council as Lessee

Finance Leases
The Council has a number of assets which have been acquired under finance leases. These include IT equipment and photocopiers.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2021	Finance Leases as Lessee	31 March 2022
£000		£000
-	Other land and Buildings	-
1,021	Vehicles, Plant, Furniture and Equipment	887
1,021	**Total**	**887**

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 2021	**Finance Lease liabilities** (net present value of minimum lease payments)	31 March 2022
£000		£000
271	Current	292
660	Non-current	503
24	Finance costs payable in future years	20
955	**Total Minimum Lease Payments**	**815**

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
Not later than one year	282	301	271	292
Later than one year and not later than five years	673	514	660	503
Later than five years	-	-	-	-
	955	**815**	**931**	**795**

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 2021-22 was £1.527m (£1.571m 2020-21).

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

31 March 2021		31 March 2022
£000		£000
752	Not later than one year	944
1,580	Later than one year and not later than five years	2,395
1,715	Later than five years	2,185
4,047	**Total**	**5,524**

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 2021	Finance lease debtor (net present value of minimum lease payments)	31 March 2022
£000		£000
-	Current	-
210	Non-current	210
2,494	Unearned finance income	2,468
2,704	**Gross Investment in the Lease**	**2,678**

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 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
Not later than one year	26	26	26	26
Later than one year and not later than five years	105	105	105	105
Later than five years	2,573	2,547	2,573	2,547
Total	**2,704**	**2,678**	**2,704**	**2,678**

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 2021		31 March 2022
£000		£000
2,918	Not later than one year	2,907
6,934	Later than one year and not later than five years	5,938
55,958	Later than five years	54,673
65,810	**Total**	**63,518**

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 2021-22 £0.338m contingent rents were receivable by the Council (2020-21 £0.414m).

Note 32. 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.

2020-21 £000	BSF Private Financing Initiative	2021-22 £000
	Charges to Net Cost of Services	
4,889	Unitary Payments to the Contractor for services provided	5,525
4,889	**Total charges to the revenue account**	**5,525**
	Net Operating Expenditure	
5,836	Interest element of finance lease payments	5,294
	Movement in Reserves Statement	
2,771	Capital element of finance lease	2,715
13,496	**Total PFI charges**	**13,534**
	Financed By	
9,005	Government PFI Revenue Grant	9,005
4,692	Education	4,777
-	Council and Schools contribution	-
13,697	**Total Financing**	**13,782**
201	**Transfer to BSF PFI Reserve**	**248**

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 2022 are as follows:

Year	Unitary Charge	Principal	Interest	Service charge and life cycle costs
	£000	**£000**	**£000**	**£000**
Within 1 year	12,671	2,850	4,676	5,145
2-5	52,148	15,256	16,850	20,042
6-10	68,760	27,385	13,555	27,820
11-15	19,793	10,065	1,853	7,875
Total	**153,372**	**55,556**	**36,934**	**60,882**

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:

2020-21 £000	Analysis of Outstanding Liability for BSF Phase 1	2021-22 £000
61,042	**Balance outstanding at 31 March**	**58,271**
(2,771)	Payments during the year	(2,715)
58,271	**Balance outstanding at year end**	**55,556**

The closing value of assets held under the scheme at 31 March 2022 was £22.980m (£21.387m 31 March 2021) 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 2022 were £55.556m (£58.271m at 31 March 2021). The decrease of £2.715m 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.

2020-21 £000	BSF Private Financing Initiative	2021-22 £000
	Charges to the Revenue Account	
10,943	Unitary Payments to the Contractor for services provided	11,020
10,943	**Total charges to the revenue account**	**11,020**
	Net Operating Expenditure	
11,266	Interest element of finance lease payments	11,244
	Statement of Movement on the General Fund Balance	
4,970	Capital element of finance lease	5,219
27,179	**Total PFI charges**	**27,483**
	Financed By	
18,297	Government PFI Revenue Grant	18,297
9,026	Education	9,337
-	Council and Schools contribution	-
27,323	**Total Financing**	**27,634**
144	**Transfer to BSF PFI Reserve**	**151**

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	26,428	5,650	10,868	9,910
2-5	108,584	22,774	41,455	44,355
6-10	142,742	32,186	46,137	64,419
11-15	119,075	29,899	30,964	58,212
Total	**396,829**	**90,509**	**129,424**	**176,896**

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

2020-21 £000	Analysis of Outstanding Liability for BSF Phase 2	2021-22 £000
100,698	**Balance outstanding at 31 March**	**95,728**
(4,970)	Payments during the year	(5,219)
-	Capital Expenditure incurred in the year	-
95,728	**Balance outstanding at year end**	**90,509**

The closing value of assets held under the scheme at 31 March 2022 was £34.779m (£24.307m 31 March 2021) 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 2022 were £90.509m (£95.728m 31 March 2021).

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 £57.759m, per Note 9 and the total liabilities are £146.065m. The total excess of liabilities over assets for BSF Phase 1 and 2 is £98.973m. This reduces the Council's Net Assets as shown in its Balance Sheet, by £98.973m.

Note 33. Capital Expenditure and Financing

The Capital Financing Requirement is the outstanding nominal debt on historic borrowing to finance debt. The Capital Financing Requirement is shown below:

2020-21 £000		2021-22 £000
	Capital Expenditure and Capital Financing Requirement	
710,701	**Opening Capital Financing Requirement**	**698,763**
	Capital investment	
49,288	Property, Plant and Equipment	72,361
33	Investment properties	251
10	Intangible Assets	92
14,575	Revenue Expenditure funded from Capital under statute	27,229
-	Capital Loans	5,152
	Sources of Finance	
(5,077)	Capital Receipts Applied	(4,163)
(41,434)	Government grants and other contributions	(62,848)
(4,897)	Sums set aside from revenue	(2,943)
(4,685)	Repayment of Principal on PFI and Other Finance Leases	(4,618)
(19,600)	MRP	(19,885)
-	Revision to estimated provision for amounts set aside	-
(151)	Payments of Principal on Long-Term Liabilities	(145)
698,763	**Closing Capital Financing Requirement**	**709,246**
	Explanation of movements in year	
(12,035)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	10,311
97	Assets acquired under finance leases	172
(11,938)	**Increase/ (decrease) in Capital Financing Requirement**	**10,483**

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

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

The cost of revenue expenditure funded from capital under statute (REFCUS) in the year was £27.229m (£14.575m in 2020-21). Grants of £24.267m funded this in year REFCUS expenditure (£12.363m in 2020-21), including £3.774m transferred from the Capital Grants Unapplied reserve (£5.453m in 2020-21).

Note 35. Long Term Liabilities

The main liability is in respect of the actuarially calculated pension liability which is £364.333m lower at 31 March 2022 when compared to 31 March 2021.

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 2022 was £146.066m (£153.999m at 31 March 2021), of which £137.565m is a deferred liability and £8.501m a creditor in respect of the 2022-23 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 2022 was £3.198m (£3.331m at 31 March 2021).

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.

2020-21 £000	Long Term Liabilities	2021-22 £000
1,234,891	Pension Liability	**870,558**
	PFI & Other Long term liabilities	
	BSF	
55,557	Phase 1	52,706
90,508	Phase 2	84,859
3,331	Waste Management Joint Committee Debt	3,198
1,139	Other	976
150,535	**Total**	**141,739**

The combined liability shown on the Balance Sheet of PFI Phase 1 and Phase 2 is £137.565m. As with all the Long-Term liabilities and current liabilities, the liability of £137.565m impacts on the Balance Sheet by reducing the net assets of the authority. However, this liability is matched with a government grant for Phase 1 of £9.005m and £18.297m for Phase 2, totaling £27.301m, see Note 41. The Phase 1 grant will be paid until 2033 and the Phase 2 grant will be paid until 2036.

Note 36. Deferred Income

There was no deferred income in 2021-22.

Note 37. Related Party Transactions

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

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

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2021-22 is shown in note 28. 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 2021-22, material transactions totaling approximately £1.384m (£1.566m 2020-21) net expenditure took place with such organisations. £1.582m (£1.690m 2020-21) of income from related parties (of which £0.229m (£0.124m 2020-21) is still outstanding) has been netted off £2.961m (£3.256m 2021-22) of expenditure on related parties (of which £0m (£0.052m 2020-21) 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 26 and 27
• Pooled Budgets – Note 24

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

West Yorkshire Combined Authority
The Council pays a transport levy towards the services provided by the West Yorkshire Combined Authority. The amount paid in 2021-22 was £22.9m (£22.2m in 2020-21).
The Leader of Bradford Council is a member of the Combined Authority. In addition to the transport levy, payments of £2.4m have been made to West Yorkshire Combined Authority in 2021-22 (£1.2m in 2020-21).

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 2021-22.

The Authority has a temporary controlling interest in Bradford Live (09083953). During 2021-22 expenditure has been incurred to the value of £5.154m with Bradford Live, of which £4.773m classed as a loan to Braford Live (loan made in 20-21 £500k, total loan made £5.273m).

Note 38. External Audit Costs

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

2020-21* £000	External Audit Costs	2021-22 £000
188	External audit services	143
9	Certification of grant claims and returns	9
-	Fees for other services	-
197**	**Total**	**152**

*The figures for 2020-21 have been amended to include fee variations agreed after the 2020-21 accounts were finalised.

** The audit fee for the West Yorkshire Pension Fund have been removed from the 2020-21 year. These are disclosed separately in the Pension Fund disclosure notes.

Note 39. Dedicated Schools Grant (DSG)

The Council is allocated the Dedicated Schools Grant (DSG) from the Department for Education (DfE) in support of expenditure relating to the schools budget. The DSG must be allocated between Individual Schools budget (ISB) and the Central School Budget expenditure, and over or underspends on the two elements need to be shown separately. The DSG has been made under sections 14 of the Education Act 2002 and has been spent in accordance with regulations made under sections 45A, 45AA, 47, 48 (1) and (2) and 138 (7) of, and paragraph 1 (7) (b) of Schedule 14 to the School Standards Framework Act 1998 (England).

Bradford was allocated £605.487m for financial year 2021-22, see the table below:

Dedicated Schools Grant	Total	Central Expenditure	Individual Schools Budget (ISB)	Total	Central Expenditure	Individual Schools Budget (ISB)
	2020-21 £000	**2020-21** £000	**2020-21** £000	**2021-22** £000	**2021-22** £000	**2021-22** £000
Final DSG before Academy Recoupment	564,427			605,487		
Academy Recoupment	(294,822)			(326,968)		
Total DSG after Academy Recoupment	**269,605**			**278,519**		
Plus DSG b/f from previous year	21,987			27,550		
DSG carry forward to following year agreed in advance	(20,685)			(24,458)		
Agreed Budget Distribution	**270,907**	**26,837**	**244,070**	**281,611**	**26,132**	**255,479**
In Year Adjustments	(759)	-	-	(1,043)	-	(1,043)
Final Budgeted Distribution	**270,148**	**26,837**	**243,311**	**280,568**	**26,132**	**254,436**
Less Actual ISB deployed to schools	238,288	-	238,288	243,527		243,527
Less Actual Central Expenditure	24,995	24,995	-	27,674	27,674	
Carry Forward	**6,865**	**1,842**	**5,023**	**9,367**	**(1,542)**	**10,909**
Carry Forward agreed in advance	20,685	2,784	17,901	24,458	4,626	19,832
Total Carry Forward	**27,550**	**4,626**	**22,924**	**33,825**	**3,084**	**30,741**

* The DSG after Academy Recoupment of £278.519m is the same as is shown in the grants Note 41.

The school is in compliance against the School Finance England Regulations 2018.

Note 40. 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 19).

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

Search Fees

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

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

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, relating to a school which has recently converted to an Academy, there may be a future cost potentially circa £5.9million: however, the Council is seeking central government funding for this.

Compulsory Purchase Order

The Council is currently in the process of a compulsory land purchase; this may result in a Tribunal referral for determination, the Tribunal will determine the quantum.

Note 41. Grant Income

The revenue government grants shown in the tables below represent the accrued amount received by the Council.

The Council credited the following grants, and donations, to the Comprehensive Income and Expenditure Statement in 2021-22:

Grant Income	2020-21 £000	2021-22 £000
Credited to Net cost of Services		
Dedicated Schools Grant (DSG)	269,605	278,519
Rent Allowance Subsidy	117,954	110,731
Public Health	42,298	42,675
Pupil Premium	13,636	13,350
PFI Revenue Support	27,301	27,301
Education and Schools	29,473	28,190
Social Care Support	15,185	17,894
NHS Adult Social Care	22,701	22,701
Revenue Expenditure Funded from Capital under Statute (REFCUS)	6,910	20,493
Other Grants under £5,000k	20,973	34,421
Total	**566,035**	**596,275**
Covid 19 Grants Credited to Net Cost of Services		
Contain Outbreak Management Fund (including Test and Trace)	17,742	4,780
Infection Control Grant	10,043	5,305
Household Support Fund	-	5,694
Discretionary Business Grants	6,842	-
Additional Restrictions Grant	1,882	14,347
Other Covid Grants Under £5,000k	16,991	17,198
Total Covid Grants credited to Cost of Service	**53,500**	**47,324**
Total Grants Credited to Cost of Service	**619,535**	**643,599**
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	34,609	34,800
Top Up Grant	69,269	69,259
New Homes Bonus Grant	4,118	2,046
Small Business Rates and other Section 31 grants including National Levy surplus	27,853	28,716
Local Services Support Grant	852	1,658
Covid 19 Support Grant	38,563	18,524
Income Compensation Scheme	12,973	2,848
75% Tax Income Guarantee Compensation	7,142	-
Council Tax Hardship Grant	5,852	6,124
Total	**201,231**	**163,975**

Covid Business Grants where Council Acts as Agent	**2020-21** **£000**	**2021-22** **£000**
Government Grants for Businesses	125,027	-
Local Restriction Tier 2 (closed) and Closed Addendum	25,645	1,674
Closed Business Lockdown Payments	18,848	1,394
Restart	-	27,139
Other Covid Grants under £5,000k	4,354	8,435
Total Covid Grants where Council is Agent	**173,874**	**38,642**

The Council has acted as an agent for a number of Business Grants during 2021-22, 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:

	2020-21 £000	2021-22 £000
Capital Grants Receipts in Advance		
Developer's contributions	15,571	13,904
Total (See Balance Sheet)	**15,571**	**13,904**

Note 42. Impairment Losses

The Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals. The Code distinguishes between impairment loss – which represents the consumption of economic benefit specific to an asset – and revaluation loss – which represent a general decrease in prices. These disclosures are consolidated in Note 9 and Note 13.

The Council has recognised an impairment loss of £0.122m on Property, Plant and Equipment in the Surplus or Deficit on the Provision of Services. This relates to properties purchased as part of a Highways junction improvement scheme with the plan to demolish them to allow the construction of a new road.

Note 43. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Council. Non exchange transactions such as those relating to taxes and government grants, do not give rise to financial instruments.

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

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

	Long-term		Current	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000
Financial assets at amortised costs				
Investments (Principal amount)	-	-	80,000	88,512
Investments Accrued Interest	-	-	6	121
Cash & Cash Equivalents	-	-	82,570	119,094
Equity Investments	1	1	-	-
Debtors – loans and receivables	1,897	6,992	292	244
Non Financial Assets	-	-	40,520	45,492
Total Assets	**1,898**	**6,993**	**203,388**	**253,463**
Financial liabilities at amortised cost				
Loans (Principal amount)	334,339	323,166	9,070	59,299
Accrued Interest	-	-	3,453	3,349
PFI and Finance Lease Liabilities	146,725	138,068	8,205	8,793
Non Financial Liabilities	-	-	45,968	42,687
Total Liabilities	**481,064**	**461,234**	**66,696**	**114,128**

Under accounting requirements, the carrying value of the financial instrument value is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

Fair value of Financial Instruments

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the net present value of the cash flows that take place over the remaining life of the instruments (all Level 2) which provides an estimate of the value of payments in the future in today's terms. The calculations have been made using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. We have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- For Lender's Option Borrower's Option" (LOBO) loans prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

2020-21 Carrying amount	2020-21 Fair value	Fair value level	Fair value of liabilities carried at amortised cost at 31 March	Fair value level	2021-22 Carrying amount	2021-22 Fair value
£000	£000				£000	£000
297,849	387,966	2	PWLB Loans	2	292,336	350,910
37,792	57,362	2	LOBO's	2	37,775	52,338
400	400	2	Other loans	2	5,594	5,594
3,453	3,453		Short term borrowing		40,349	40,349
3,413	3,413		Cash overdrawn		5,949	5,949
3,616	5,499	2	Other local authorities re joint services	2	3,471	5,033
339	339		Other		340	340
154,930	154,930	2	PFI and finance lease liabilities	2	146,861	146,861
45,968	45,968		Financial liabilities at contracted amounts		42,687	42,687
547,760	**659,330**		**Total Liabilities**		**575,362**	**650,061**

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 2022) 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 2021-22 the fair value would be calculated as £399.880m.

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

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

2020-21 Carrying amount	2020-21 Fair value	Fair value level	Fair value of assets carried at amortised cost at 31 March	Fair value level	2021-22 Carrying amount	2021-22 Fair value
£000	£000				£000	£000
80,005	80,005		Investments		88,614	88,614
82,571	82,571		Cash and cash equivalents		119,113	119,113
1	1		Equity Investments – Integrated Bradford Local Education Partnership (LEP) Ltd		1	1
2,189	2,189	2	Debtors – loans and receivables	2	7,236	7,236
40,520	40,520		Non financial assets		45,492	45,492
205,286	**205,286**		**Total Assets**		**260,456**	**260,456**

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

Gains and losses on financial instruments

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows.

2020-21 £000	Recognised gains and losses	2021-22 £000
	Financial assets: measured at amortised cost	
(1,011)	Interest revenue	(601)
(1,011)	**Total interest revenue in surplus or deficit on the provision of services**	**(601)**
	Financial Liabilities measured at amortised cost	
16,511	Interest expense	16,327
17,119	Interest expense on PFI and Finance Leases	16,551
33,630	**Total interest expense in surplus or deficit on the provision of services**	**32,878**

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

a. Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.
b. Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments.
c. Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movement.

Overall procedures for managing risks

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. In July 2003 the Council fully adopted the CIPFA Code of Treasury Management Practices. Each year the Director of Finance presents to the Governance and Audit Committee an Annual Treasury Management Report which covers the Council's current treasury position, borrowing and investment strategies and performance and debt rescheduling.

The annual Treasury Management Strategy which incorporates prudential indicators was reviewed by Governance & Audit Committee on 25 March 2021 and approved by Council on 25 January 2022 and is available on the Council's website. Actual performance is also reported after each year.

a. Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

It is the policy of the Council set out in the Annual Investment Strategy to place deposits only with a limited number of banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits and maturities with banks and building societies depending on an institution's (such as Moody's or Fitch's) credit rating.

The credit criteria in respect of financial assets held by the Council are as detailed below.

Investment limits

The financial investment limits with the Government, Banks or Building Societies are linked to Moody's, Fitch and Standard and Poors (S&P) ratings, as follows: -

1. The Government through debt management office including deposits, treasury bills and bank government guarantee certificate of deposits – Maximum Investment with any one counter party – no limit.
2. Local Authorities: Maximum Investment with any one counter party – £20 million.
3. Money Market funds including government funds with a Moody's, S&P or Fitch rating of AA: Maximum Investment with any one counter party – £20 million.
4. Any other Bank or Building Society with credit criteria of Moody's rating Aa3 or better (Fitch AA-if not available), Fitch short term rating of at least F1 and a S&P short term rating of A1 or better: Maximum Investment with any one counter party – £30million.
5. Any Bank or Building Society with credit criteria of Moody's rating A1 or better, (Fitch A+ if not available), Fitch short term of at least F1 and a S & P short term rating of A-1or better: Maximum Investment with any one counter party – £20million.
6. Lower limit with any bank or building society with at least one of the following; Moody rating of A3 or better, Fitch rating of at least F1, S&P rating of A-1 or better: Maximum Investment with any one counter party – £7million.
7. National Westminster Bank – £20m.

The full Investment Strategy for 2021-22 was approved by Governance & Audit Committee on 25 March 2021 Full Council on 25 January 2022 and is available on the Council's website.

Amounts arising from expected credit losses

The Council's debtors incorporate a credit loss provision. The credit loss provision is estimated on the basis of the age of the outstanding debt, combined with specific knowledge indicating the likelihood of payment. The Council defines default, as when a debtor is unable to pay or looks likely to be unable to pay in the future. Credit losses have been estimated on a case by case basis.

However, in the initial review, debtors are assessed by age. Credit-impaired financial assets are reviewed against a prospective credit loss model.

At the year end the Council held investments of £186.233m, made up of £88.614m Investments and £97.619m 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 2022 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. For Investments the historical experience of default is 0.005% and the estimated expected credit loss £8,697, see table below.

	31 March 2022 Principal £000	Lowest Credit rating	Historical experience of default	Estimated maximum exposure to default £000
Toronto Dominion Bank	5,002	AA-	0.004%	0.176
Skandinaviska Enskilda Banken AB	10,000	A+	0.009%	0.897
Cooperatieve Rabobank U.A	5,000	A+	0.016%	0.802
UBS Bank	5,000	A+	0.025%	1.244
Societe Generale	5,000	A-	0.019%	0.935
Santander	3,000	A	0.007%	0.212
Nordea Bank	10,000	AA-	0.014%	1.393
DBS Bank	3,000	AA-	0.004%	0.105
Toronto Dominion Bank	10,010	AA-	0.003%	0.251
Skandinaviska Enskilda Banken AB	10,000	A+	0.010%	0.985
Societe Generale	4,999	A-	0.014%	0.701
National Australia Bank	7,506	A+	0.011%	0.806
Standard Chartered	5,002	A+	0.004%	0.177
Treasury Bill	4,993	AA-	0.003%	-
Handlesbanken	20,000	AA-	0.000%	0.013
HSBC MMF	19,700	AAAm	0.000%	-
Black Rock MMF	20,000	AAAm	0.000%	-
Federated Investos MMF	17,900	AAAm	0.000%	-
LGIM MMF	20,000	AAAm	0.000%	-
Investments Principals	**186,112**	**-**	**-**	**8.697**

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Council holds a number of long-term debtors totalling £6.992m as at 31 March 2022. When undertaking any long-term loans, the Council follows a full due diligence process. Having assessed the Council's exposure to credit risk on the long-term debtors as at 31 March 2022, there was no evidence that the entities were unable to meet their commitments on their existing loan structures.

The Council does not generally allow credit for customers and trade debts are actively pursued but some of the current balance is past its due date. Customers for goods and services are assessed, dependent on materiality, taking into account their financial position, past experience and other factors as appropriate. An impairment charge has been included in the accounts, to take account of the risk of non-payment (see Note 17). The exposure to default has been assessed and is reflected in an impairment charge of £10.438m. As at 31 March 2022, the Council had a balance owing from its customers (mainly service and rent) of £45.492m (£40.520m 31 March 2021).

b. Liquidity Risk

The Council manages its liquidity position through the risk management procedures above and through a comprehensive cash flow management system. This seeks to ensure cash is available when needed.

If unexpected movements occur, the Council has ready access to a facility to borrow from the Public Works Loans Board to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavorable interest rates. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year and 40**%** within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The following is an analysis of amounts owed to lenders at the year-end.

31 March 2021 £000	Total Borrowing	31 March 2022 £000
	Source of loan and interest rate range:	
297,849	Public Works Loan Board (3.7% to 10%)	292,336
37,793	Commercial Banks (3.2% to 4.5%)	37,775
400	Other	42,594
336,042	**Total**	**372,705**
	Analysis of loans:	
5,511	Maturing in less than 1year	53,211
5,511	**Total Short Term Borrowing**	**53,211**
	Long Term Borrowing	
38,204	Maturing in 2 - 5 years	43,732
59,296	Maturing in 5 - 10 years	54,697
56,938	Maturing in 10 - 15 years	44,991
176,093	Maturing in more than 15 years	176,074
330,531	**Total Long Term Borrowing**	**319,494**
336,042	**Total Borrowing**	**372,705**

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

The total borrowing shown on the Balance Sheet, of £376.054m, calculated by adding together short term (£56.560m) and long-term borrowing (£319.494m), includes accrued interest of £3.349m, per accounting regulations. Accrued interest is not included in the above table.

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

c. Market Risk

Interest rate risk

The Council is exposed to interest rate movements on its borrowings and investments.

The current interest rate risk for the Council is summarised below:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on the revenue balances);
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise.
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. During periods of falling interest rates, and where economic circumstances make it favorable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Council's cost of borrowing and provide compensation for a proportion of any higher costs.

According to this investment strategy, if interest rates had been 1% higher at 31 March 2022 with all other variables held constant, the financial effect would be:

31 March 2021 £000	Effect of 1% increase in interest rates	31 March 2022 £000
-	Increase in interest payable on variable rate borrowings	-
(1,085)	Increase in interest receivable on variable rate investments	(1,250)
-	Increase in government grant receivable for financing costs	-
(1,085)	**Impact on Surplus or Deficit on the Provision of Services**	**(1,250)**

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The Council does not have any borrowings at a variable rate.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Price Risk

The Council does not generally invest in equity shares and does not have any material shareholdings in joint ventures or local companies, and it is not therefore subject to price risk.

Foreign Exchange Risk

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

Note 44. Trust Funds and Custodial Money

The Director of Finance acts as treasurer to 21 funds (inclusive of 19 sole trustee charities), held in trust for such purposes as maintenance grants, travel scholarships and book prizes, or for the benefit and care of particular client groups. The fund balances are invested in managed funds, local authority bonds and gilt edged securities and deposit accounts.

£20,524 (£20,904 at 31 March 2021) 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 2021	Analysis of Trust Funds and Custodial Money Balances	Expenditure 2021-22	Income 2021-22	Balance at 31st March 2022
£000		£000	£000	£000
671	The Charles Semon Educational Foundation	-	14	685
930	Bradford area	-	17	947
540	Keighley area	-	21	561
4	Housing charities	-	-	4
354	Charities for the Blind	-	6	360
2,499	**Total Trust Funds and Custodial Money Balances**	-	**58**	**2,557**

For those Trust Funds where the Council acts as sole trustee and which at 31 March 2022 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 2021-22	Balance at 31st March 2022
		£000	£000
The Charles Semon Educational Foundation (1095912)	Promote the education of young people under 25 in need of financial assistance	14	685
King George's Field Keighley (514349)	Provision and maintenance of King George's Field recreation ground	20	546
Royd House Trust Wilsden (700025)	Maintenance of Royd House and grounds for the perpetual use by the public	5	162
The Peel Park (523509)	Maintenance, repair and improvement of land and buildings belonging to the charity	2	227
Little Moor Park (otherwise Foster Park) Queensbury (519426)	Maintenance of Public Park & Recreation Ground	1	69
Bingley Educational Trust	Sale of Land - Money used for Grant Giving	-	224
Wibsey Park Lodge	Sale of Land - Money used for Grant Giving	-	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.

2020-21 £000	2020-21 £000	2020-21 £000	Collection Fund Statement	2021-22 £000	2021-22 £000	2021-22 £000	
Council Tax	Business Rates	Total		Council Tax	Business Rates	Total	Note
			Income				
(246,113)	-	(246,113)	Due from Council Tax payers	(261,603)	-	(261,603)	Note 1
-	-	-	Due in respect of Council Tax benefits	-	-	-	
-	(76,875)	(76,875)	Due from Business Rate payers	-	(108,658)	(108,658)	Note 2
(246,113)	**(76,875)**	**(322,988)**	**Total Income**	**(261,603)**	**(108,658)**	**(370,261)**	
			Expenditure				
			Precepts:				
208,656	-	208,656	Bradford Council	215,518	-	215,518	
9,508	-	9,508	West Yorkshire Fire and Rescue Authority	9,540	-	9,540	
28,333	-	28,333	Police & Crime Commissioner for West Yorkshire	30,001	-	30,001	
			Business Rates:				
-	66,922	66,922	Payment to Central Government	-	66,622	66,622	
-	1,338	1,338	Payment to West Yorkshire Fire and Rescue Authority	-	1,332	1,332	
-	65,584	65,584	Payment to Bradford Council	-	65,289	65,289	
-	720	720	Costs of Collection	-	717	717	
-	-	-	Disregarded Amounts - Designated Growth Area	-	152	152	
-	2,740	2,740	Transitional Protection Payments	-	645	645	
-	-	-	Write-offs of Uncollectable Amounts	-	-	-	
-	-	-	Settlement of Appeals	-	(7,195)	(7,195)	
5,567	5,133	10,700	Contribution to / from (-) Provision for Losses on Bad & Doubtful Debts	5,424	1,382	6,806	Note 3
-	(5,710)	(5,710)	Contribution to / from (-) Provision for Losses on Appeals	-	6,102	6,102	Note 4
			Distribution of Collection Fund Surplus/Repayment of Deficit:				
980	768	1,748	Bradford Council	(3,266)	(23,663)	(26,929)	
46	9	55	West Yorkshire Fire and Rescue Authority	(151)	(488)	(639)	
133	-	133	Police & Crime Commissioner for West Yorkshire	(449)	-	(449)	
-	79	79	Central Government	-	(24,544)	(24,544)	
253,223	**137,583**	**390,807**	**Total Expenditure**	**256,617**	**86,351**	**342,968**	
7,110	**60,708**	**67,818**	**Net movement (surplus (-)/deficit) in the fund balance**	**(4,986)**	**(22,307)**	**(27,293)**	Note 5
			Movements on the Collection Fund Balance				
155	**(1,644)**	**(1,489)**	**Balance at beginning of year**	**7,265**	**59,064**	**66,329**	
6,007	29,747	35,754	Bradford's share of surplus (-) /deficit for the year	(4,197)	(10,930)	(15,127)	Note 5
1,103	607	1,710	Preceptors' share of surplus (-) /deficit for the year	(789)	(223)	(1,012)	Note 5
-	30,354	30,354	Central Government's share of surplus (-) /deficit for the year	-	(11,153)	(11,153)	Note 5
7,265	**59,064**	**66,329**	**Balance at end of year**	**2,279**	**36,758**	**39,038**	
			Allocated to:				
6,138	28,744	34,882	Bradford Council	1,941	18,012	19,952	
286	591	877	West Yorkshire Fire and Rescue Authority	88	368	455	
841	-	841	Police & Crime Commissioner for West Yorkshire	251	-	251	
-	29,729	29,729	Central Government	-	18,379	18,379	
7,265	**59,063**	**66,330**	**Total Allocation**	**2,279**	**36,758**	**39,038**	

Note 1. Council Tax

Council Tax income is generated from charges raised on residential properties. Each domestic property is assigned to one of eight bands A-H depending on its capital value. (Band A* properties are properties in Band A entitled to disabled relief reduction). Properties in higher bands are charged more, although the charges may be reduced by Council Tax reduction and/or single occupier discount.

Properties in the middle band, D, were charged at £ 1,777.57 in 2021-22 (£1,690.01 in 2020-21) to cover the precepts of the three authorities. This figure does not include any precepts for Parish/Town Councils.

The Council Tax base for 2021-22 was 142,000 (144,351 in 2020-21). The tax base for 2021-22 was approved at the Executive meeting on 5th January 2021 and was calculated as follows:

2020-21 Band D Equivalent		Band	2021-22 Number of chargeable dwellings	Multiplier	2021-22 Band D Equivalent
62		A*	84	5/9	47
42,133		A	53,438	6/9	40,632
29,196		B	32,658	7/9	28,915
30,702		C	32,745	8/9	30,528
16,349		D	17,075	9/9	16,485
14,421		E	14,797	11/9	14,571
8,112		F	8,236	13/9	8,147
5,823		G	5,873	15/9	5,825
498		H	512	18/9	492
147,297	Total Band D equivalent				145,642
-2946	Adjustment for estimated losses on collection				-3,642
144,351	**Council Tax Base**				**142,000**

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 (49.9p in 2020-21) is applicable to those that qualify for the small business relief; and the non-domestic rating multiplier of 51.2p (51.2p in 2020-21) includes the supplement to pay for small business relief.

In 2013-14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the district. It does, however, also increase the financial risk due to non-collection and the volatility of the Business Rates tax base. The scheme allows the Council to retain 49% of the total Business Rates received. Of the remainder, 50% is paid to Central Government and 1% is paid to West Yorkshire Fire and Rescue Authority (WYFRA).

The business rates shares payable for 2021-22 were estimated before the start of the financial year as £1.332m to WYFRA and £65.289m to Bradford Council. These sums have been paid in 2021-22 and charged to the Collection Fund in year.

The total income from business rate payers collected in 2021-222 was £108.658m (£76.875m in 2020-21). This sum includes £0.645mm (£2.740m in 2020-21) 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 £384,505,038 for 2021-22 (£386,188,439 for 2020-21).

Note 3. Provision for Council Tax and Business Bad Debts

In 2021-22, the provision for Council Tax bad debts decreased from £16.458m to £15.761m. The net movement of £0.697m represents amounts charged against the provision of £6.120m for outstanding arrears that are irrecoverable and an increase in the provision during the year of £5.424m. 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 2021-22, the provision for Business Rates bad debts increased from £7.173m to £7.838m. The net movement of £0.665m represents amounts charged against the provision of £0.718m for outstanding arrears that are irrecoverable and an increase in the provision during the year of £1.382m. 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 2021-22 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 2021-22, the full provision for losses on outstanding appeals was decreased by £1.093m, from £16.554m at 31 March 2021 to £15.460m at 31 March 2022. The Council's 49% share of the £15.460m provision was £7.575m.

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 £39.038m arose in 2021-22 (£66.329m deficit in 2020-21), of which the Council's share was a deficit of £19.952m (£34.882m deficit in 2020-21) and the preceptors share a deficit of £19.085m (£31.447m deficit in 2020-21). 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 2021/22 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 2021/22. 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.

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, Harrogate and York. Under the terms of the pooling arrangement, during the year, each authority will receive exactly the same funding as they would have if treated individually. The distribution of any levy income is retained in the region as opposed to being paid over to the Government.

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

Report on the audit of the financial statements

Opinion on the financial statements of West Yorkshire Pension Fund

We have audited the financial statements of West Yorkshire Pension Fund ('the Pension Fund') for the year ended 31 March 2022, 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 2021/22.

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 2022, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

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 & IT's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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 2021/22, 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 2021/22 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Director of Finance & IT is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the 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 & IT's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

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

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

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

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

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

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

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

West Yorkshire Pension Fund

2020-21 £000	Fund account for the year ended 31 March 2022	2021-22 £000	Note
	Dealings with members, employers and others directly involved in the Fund		
480,170	Contributions receivable	475,463	*6*
26,934	Transfers in	32,012	*7*
21,019	Non-statutory pensions and pensions increases recharged	20,171	*8*
528,123		**527,646**	
-550,077	Benefits payable	-591,305	*9*
-21,019	Non-statutory pensions and pensions increases	-20,171	*8*
-23,373	Payments to and on account of leavers	-19,993	*10*
-594,469		**-631,469**	
-66,346	**Net additions/(withdrawals) from dealing with members**	**-103,823**	
-10,002	Management expenses	-10,455	*13*
-76,348	**Net additions/(withdrawals) including management expenses**	**-114,278**	
	Returns on investments		
361,159	Investment income	425,221	*15*
-7,919	Taxes on income	-9,143	*15a*
2,833,734	Profit and losses (-) on disposal of and changes in value of investments	1,348,594	*17*
2,278	Stock lending	1,871	*17c*
3,189,252	**Net return on investments**	**1,766,543**	
3,112,904	**Net Increase (decrease) in the net assets available for benefits during the year**	**1,652,264**	
13,214,298	**Opening net assets of the scheme**	**16,327,202**	
16,327,202	**Closing net assets of the scheme**	**17,979,466**	

2020-21 £000	Net assets statement at 31 March 2022	2021-22 £000	Note
	Investment assets		
1,315,811	Bonds	1,402,820	*17*
9,998,808	Equities (including convertible shares)	10,867,442	*17*
735,119	Index-linked securities	755,940	*17*
3,702,738	Pooled investment vehicles	4,251,295	*17*
7,300	Direct Property	7,350	*17*
422,003	Cash deposits	556,926	*17*
41,592	Cash at bank	6,230	*17*
58,153	Other investment balances	61,580	*17*
	Investments liabilities		
-13,990	Other investment balances	-43	*17*
16,267,534	**Investments at 31 March**	**17,909,540**	
	Current assets		
81,033	Debtors	95,663	*20*
	Current liabilities		
-21,365	Creditors	-25,737	*21*
59,668	**Net current assets and liabilities**	**69,926**	
16,327,202	**Net assets of the scheme available to fund pension benefits**	**17,979,466**	

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2022. This financial statement shows the net value of assets owned by the Fund, the actuarial calculation of the present value of promised retirement benefits is provided in note 12.

Note 1. Operations and Membership

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

Administering Authority – City of Bradford Metropolitan District Council is the administering authority for the Fund, and as such has statutory responsibility for the management and administration of the Fund. The Fund's entire investment portfolio is managed 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 463 participating employers during the year, 30 left in the year, leaving 433 at 31st March 2022 (409 employers as at 31st March 2021) whose employees were entitled to be contributors to the Fund.

Membership – Total membership as at 31st March 2022 is 307,797 (31st March 2021 is 298,307).

At 31 March 2021	Profile of membership	At 31 March 2022
101,079	Active members	104,891
100,869	Pensioner members	104,710
96,359	Members with preserved pensions	98,196
298,307	**Total members**	**307,797**

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 2022

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.

  On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, although final Regulations are not expected to be come into force until 2023. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvements or member contribution changes being recommended under that process. However some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

  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 McCloud judgement and (if applicable) the 2016 cost management process have been confirmed.

- **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

June 2022

Note 3. Accounting policies

Basis of preparation
The statement of accounts summarises the Fund’s financial activities for the 2021/22 financial year and its financial position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 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 pension administration account of 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 oversight and governance account of 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 account of the Fund.

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

assets statement (note 12).

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

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

Investment income

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

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

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

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

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

Taxation
The Fund is a registered public service pension 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. All tax paid are accounted for as expense as it arises and amount recovered are credited back to the account when received.

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 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 2022 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.

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 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 2022 and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Note 6. Contributions receivable by category:

Contributions from employers and employees:

2020-21 £000	Analysis of contributions receivable	2021-22 £000
353,385	Employers	340,809
126,785	Members	134,654
480,170	**Total contributions receivable**	**475,463**

Contributions by type of employer:

2020-21 £000	Analysis by type of employer	2021-22 £000
52,806	Administering Authority	56,589
389,501	Scheduled bodies	382,106
37,863	Admitted bodies	36,769
480,170	**Total contributions receivable**	**475,463**

Contributions are further analysed by type of contribution:

2020-21 £000	Contributions receivable by type	2021-22 £000
122,673	Employees normal contributions	127,362
4,112	Employees additional contributions	7,292
313,057	Employers normal contributions	338,521
40,328	Employers deficit contributions	2,288
480,170	**Total contributions receivable**	**475,463**

Employers' contribution rates and deficit contributions

Employer contributions receivable in 2021-22 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 2021/22 based on pay bandings in the financial year are provided below.

2021/22 Pay	Contribution rate
Up to £14,600	5.5%
£14,601 to £22,900	5.8%
£22,901 to £37,200	6.5%
£37,201 to £47,100	6.8%
£47,101 to £65,900	8.5%
£65,901 to £93,400	9.9%
£93,401 to £110,000	10.5%
£110,001 to £165,000	11.4%
£165,001 or more	12.5%

Note 7. Transfers in

2020-21 £000	Transfers in from other pension funds	2021-22 £000
25,288	Individual transfers in from other schemes	32,012
1,646	Bulk transfer in from other schemes	0
26,934	**Total transfers in**	**32,012**

Note 8. Non-statutory pensions and pensions increase recharged

2020-21 £000	Non-statutory pensions and pensions increase recharged	2021-22 £000
21,019	**Pensions**	**20,171**

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

Note 9. Benefits payable

2020-21 £000	Analysis of benefits payable	2021-22 £000
	Funded pensions	
-406,808	Retired employees	-426,763
-33,611	Dependents	-33,499
	Funded lump sums	
-95,919	On retirement	-117,537
-13,739	On death	-13,506
-550,077	**Total Benefits Payable**	**-591,305**

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

2020-21 £000	Analysis of benefits payable by member body	2021-22 £000
-81,348	Administering Authority	-84,132
-415,221	Scheduled bodies	-446,975
-53,508	Admitted bodies	-60,198
-550,077	**Total benefits payable**	**-591,307**

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

2020-21 £000	Payments to and on account of leavers	2021-22 £000
-1,266	Refund of contributions	-1,488
-22,107	Individual transfers out to other schemes	-18,505
-23,373	**Total transfers out**	**-19,993**

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, 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 (restated)	Additional voluntary contributions	2021-22 £000
32,865	Value of funds at 1st April	40,616
7,134	Contributions received	8,813
145	Transfers and withdrawals	30
4,998	Interest and bonuses / change in market value of assets	-6,995
-4,526	Sale of investments to settle benefits due to members	-7,930
40,616	**Value of fund at 31st March**	**34,534**

The aggregate amounts of AVC investments are:

2020-21 £000 (restated)	AVC investments	2021-22 £000
2,090	Utmost	1,980
26,764	Prudential	30,896
11,762	Scottish Widows	1,658
40,616	**Total**	**34,534**

Prudential were unable to provide details of contributions made by scheme members or the total value of the fund's invested by Prudential on behalf of members of the West Yorkshire Pension Fund at 31 March 2021. These details have now been received and the total restated.

Note 12. Actuarial present value of promised retirement benefits

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

Introduction

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

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

Paragraph 6.5.2.8 of CIPFA's Code of Practice on local authority accounting for 2021/22 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 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 dependent'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.

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	-396.0	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**	**-0.10% £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**	**-0.10% £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	**Management expenses**	**2021-22 £000**
-4,002	Administration costs	-4,225
-5,129	Investment Management expenses	-5,531
-871	Oversight and Governance	-699
-10,002	**Total administrative expenses**	**-10,455**

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 a statutory audit fee of £37.4k (2020/21 £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 £18k (2020/21 £14.9k) and are recharged to the relevant employers. No other fees have been paid to the external auditor.

Investment management expenses is further analysed in Note 14.

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 2021/22 reporting period are £120k (2020/21 £75.6k).

Note 14. Investment expenses

2021-22	Total	Management fees	Performance fees	Transaction costs
	£000	£000	£000	£000
Bonds	350	350	0	0
Equities	3,514	2,715	0	799
Index-linked securities	189	189	0	0
Pooled investment vehicles	1,062	1,062	0	0
Direct property	2	2	0	0
Cash deposits	157	157	0	0
	5,279	**4,475**	**0**	**799**
Custody fees	257			
Total	**5,531**			

2020-21	Total	Management fees	Performance fees	Transaction costs
	£000	£000	£000	£000
Bonds	333	333	0	0
Equities	3,315	2,529	0	786
Index-linked securities	186	186	0	0
Pooled investment vehicles	963	936	0	27
Direct property	2	2	0	0
Cash deposits	128	128	0	0
	4,927	**4,114**	**0**	**813**
Custody fees	202			
Total	**5,129**			

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	Investment income	2021-22 £000
39,418	Income from bonds	39,191
272,289	Dividends from equities	311,676
3,532	Income from index-linked securities	3,475
44,287	Income from pooled funds	69,706
449	Income from direct property	662
1,184	Interest on cash deposits	511
361,159	**Total investment income**	**425,221**

Note 15a. Tax on income

2020-21 £000	Tax on income	2021-22 £000
-7,919	Tax on dividends	-9,942
0	Investment tax reclaim	799
-7,919	**Total**	**-9,143**

Note 16. Direct Property Holdings

At 31 March 2021 £000	Direct Property Holdings	At 31 March 2022 £000
6,675	**Opening balance**	7,300
	Additions:	
625	Net Increase/ decrease in market value	50
7,300	**Closing value**	**7,350**

Note 17. Investments

Note 17a.Movement in the value of investments in 2021-22

	Opening value at 1 April 2021 £000	Purchases costs £000	Sales proceeds £000	Change in Market value £000	Closing value at 31 March 2022 £000
Bonds	1,315,811	321,298	-155,978	-78,311	1,402,820
Equities	9,998,808	325,313	-290,052	833,373	10,867,442
Index linked securities	735,119	7,643	-30,909	44,087	755,940
Pooled funds	3,702,738	459,521	-458,812	547,848	4,251,295
Direct property	7,300	0	0	50	7,350
Cash deposits	422,003	1,333,181	-1,199,805	1,547	556,926
Cash at bank	41,592	0	-35,362	0	6,230
Other investment debtors	58,153	*3,427	0	0	61,580
Other investment creditors	-13,990	*13,947	0	0	-43
Total investments	**16,267,534**	**2,464,330**	**-2,170,918**	**1,348,594**	**17,909,540**

* Balancing figure due to adjustments through purchases and sales.

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
Bonds	1,387,187	335,004	-425,563	19,183	1,315,811
Equities	7,675,343	330,603	-260,462	2,253,324	9,998,808
Index linked securities	736,119	53,160	-52,570	-1,590	735,119
Pooled funds	3,071,112	326,236	-259,111	564,501	3,702,738
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	-2,948	-2,302	41,592
Other investment debtors	53,918	0	4,235	0	58,153
Other investment creditors	-51,239	*37,249	0	0	-13,990
Total investments	**13,180,582**	**2,180,645**	**-1,927,427**	**2,833,734**	**16,267,534**

* Balancing figure due to adjustments through purchases and sales.

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 2021 £000	Analysis of investments closing market values	At 31 March 2022 £000
	Bonds:	
782,562	Public sector quoted	731,966
533,249	Other quoted	670,854
1,315,811		**1,402,820**
9,998,808	**Equities**	**10,867,442**
735,119	**Index linked securities**	**755,940**
	Pooled funds:	
105,585	Hedge funds	124,360
606,022	Property	717,807
1,220,217	Equity	1,125,960
1,047,999	Private equity	1,250,522
722,915	Private equity infrastructure	1,032,646
3,702,738		**4,251,295**
7,300	**Direct Property**	**7,350**
422,003	**Cash deposits**	**556,926**
41,592	**Cash in bank**	**6,230**
58,153	**Other Investment assets**	**61,580**
-13,990	**Other Investment liabilities**	**-43**
16,267,534	**Total**	**17,909,540**

c. Stock Lending

2020-21 £000	Analysis of stock lending	2021-22 £000
	Income	
176	- Bonds	185
396	- UK equities	235
1,782	- International equities	1,533
-76	Expenditure	-82
2,278	**Total**	**1,871**

As at 31 March 2022, the value of stock on loan to market makers was £851m (31 March 2021 £660m) and this was covered by collateral totalling £916m (31 March 2021 £702m) which includes an appropriate margin. The collateral includes a basket of Equities £315 million (31 March 2021 £163 million), United Kingdom Gilts £77million (31 March 2021 £159 million), US Equities £245 million (31 March 2021 £191 million) and Government Debt £50 million (31 March 2021 £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
Cash deposits, investment balances and debtors	Level 1	Cash value at yearend	Not required	Not required.
Pooled investment- overseas 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

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Unquoted bonds	Level 3	Fund managers' capital statements	Evaluated price feeds	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 2021 to March 2022, 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.
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 31 March 2022.

Sensitivity of assets valued at level 3	Assessed valuation range (+/-)	Value at 31 March 2022	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments - hedge funds	17.8%	124.1	146.2	102.0
Property funds	18.6%	717.8	851.3	584.3
Direct property	10.1%	7.4	8.1	6.7
Private equity inc NLGPS	34.9%	2,283.2	3,080.0	1,486.4
Other assets	0.5%	16.7	16.8	16.6
		3,149.2	**4,102.4**	**2,196.0**

Sensitivity of assets valued at level 3	Assessed valuation range (+/-)	Value at 31 March 2021	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments - hedge funds	11.2%	105.3	117.1	93.5
Property funds	1.5%	453.1	459.9	446.3
Direct property	16.6%	7.3	8.5	6.1
Private equity inc NLGPS	5.4%	1,770.9	1,866.5	1,675.3
Other assets	1.5%	45.5	46.2	44.8
		2,382.1	**2,498.2**	**2,266.0**

Sensitivity analysis figures have been restated and now match performance analytics percentages. This will allow comparability year on year.

Financial instruments – valuation

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

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

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

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

The table below provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's Net 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 2022

	At 31 March 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Financial assets				
Financial assets at fair value through profit & loss	13,447	689	3,142	17,278
Financial assets at amortised cost	720	0	0	720
Total financial assets	**14,167**	**689**	**3,142**	**17,998**
Non financial assets at fair value through profit and loss				
Property	0	0	7	**7**
Financial liabilities				
Financial liabilities at amortised cost	-26	0	0	-26
Total financial liabilities	**-26**	**0**	**7**	**-19**
	14,141	**689**	**3,149**	**17,979**

Valuation hierarchy as at 31st March 2021

	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				
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**

Reconciliation of fair value measurements within level 3

	Market value 01-Apr-21	**Purchases**	**Sales**	**Change in market value**	**Market value 31-Mar-22**
	£000	**£000**	**£000**	**£000**	**£000**
Pooled investments - Hedge funds	105,328	0	0	18,818	124,146
Property funds	453,078	26,886	-34,910	272,753	717,807
Direct property	7,300	0	0	50	7,350
Private equity(inc NLGPS)	1,770,914	426,641	-369,051	454,662	2,283,167
Other assets	45,549	12,038	-389	-40,512	16,686
	2,382,170	**465,565**	**-404,350**	**705,771**	**3,149,156**

	Market value 01-Apr-20	Purchases	Sales	Change in market value	Market value 31-Mar-21
	£000	£000	£000	£000	£000
Pooled investments - Hedge funds	94,683	0	0	10,645	105,328
Property funds	455,028	17,088	-7,623	-11,415	453,078
Direct property	6,675	0	0	625	7,300
Private equity(inc NLGPS)	1,545,224	303,950	-224,682	146,422	1,770,914
Other assets	55,244	123	-8,190	-1,628	45,549
	2,156,854	**321,161**	**-240,495**	**144,649**	**2,382,170**

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 2022. The table also includes Direct Property (non-financial instrument) for completeness.

31st March 2022	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial Assets				
Bonds	1,402,820	0	0	1,402,820
Equities	10,867,442	0	0	10,867,442
Index-linked securities	755,940	0	0	755,940
Pooled investment vehicles	4,251,295	0	0	4,251,295
Cash deposits		556,926	0	556,926
Cash at bank		6,230	0	6,230
Other investment balances	0	61,580	0	61,580
Debtors	0	95,663	0	95,663
Total financial assets	**17,277,497**	**720,399**	**0**	**17,997,896**
Financial Liabilities				
Other investment balances	0	0	-43	-43
Creditors	0	0	-25,737	-25,737
Total financial liabilities	**0**	**0**	**-25,780**	**-25,780**
Total	**17,277,497**	**720,399**	**-25,780**	**17,972,116**
Non-Financial instrument assets				
Direct Property	**7,350**	**0**	**0**	**7,350**
Total	**17,284,847**	**720,399**	**-25,780**	**17,979,466**

31st March 2021	Fair value through profit & loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial Assets				
Bonds	1,315,811	0	0	1,315,811
Equities	9,998,808	0	0	9,998,808
Index-linked securities	735,119	0	0	735,119
Pooled investment vehicles	3,702,738	0	0	3,702,738
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**

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

Note 20. Current assets

At 31 March 2021 £000		At 31 March 2022 £000
	Debtors	
29,614	Contributions due from employees and employers	37,980
51,419	Other debtors	57,683
81,033	**Total current assets**	**95,663**

All debtors are trade debtors with payments due within 12 months.

Note 21. Current liabilities

At 31 March 2021 £000	Current liabilities	At 31 March 2022 £000
	Creditors	
-9,811	Unpaid benefits	-11,278
-11,554	Other current liabilities	-14,459
-21,365	**Total current liabilities**	**-25,737**

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 2021/22, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £459k in respect of support services provided (£444k in 2020/21). The support costs include a full year support for financial systems, payroll, HR, legal, internal audit and information technology services.

Employers
Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in note 27 of this report. Contributions owed by employers in respect of March 2022 payroll are included within the total debtors figures in note 20.

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

There have been no material transactions between any member or their families and the Pension Fund.

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

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £140k (2020/21 £143k). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

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

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

The management of risk is set out in the Fund's Investment Strategy Statement, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at the end of this document and also at: https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/

And

https://www.wypf.org.uk/publications/policy-home/wypf-index/funding-strategy-statement/

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

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

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

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

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

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

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

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

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

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

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

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

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

Price risk – sensitivity analysis
Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period.

Asset type	2021-22 Potential market movement +/- (%pa)	2020-21 Potential market movement +/- (%pa)
UK bonds	1.3	7.0
Overseas bonds	0.3	5.8
UK index-linked	5.9	0.9
Overseas index-linked	5.9	0.9
UK equities	12.2	31.2
Overseas equities	8.1	39.3
Pooled funds UK equities	12.2	31.2
Pooled funds overseas Equities	12.2	39.3
Pooled funds UK properties	18.6	1.7
Pooled funds overseas properties	18.6	1.7
Pooled funds UK hedge fund	17.8	11.2
Pooled funds UK private equities	34.9	5.4
Pooled funds overseas private equities	34.9	5.4
Pooled funds UK private equity infrastructure	12.9	0.8
Pooled funds overseas private equity infrastructure	12.9	0.8
Direct property	10.1	16.6
Cash certificate of deposits	0.5	1.5
Cash bank	0.5	1.5
Other investment assets	0.5	1.5
Other investment liabilities	0.5	1.5

Asset type	Value as at 31-Mar-22 £000	Value as at 31-Mar-21 £000
UK bonds	911,984	991,700
Overseas bonds	490,836	324,111
UK index-linked	659,908	645,331
Overseas index-linked	96,032	89,788
UK equities	4,902,166	4,453,871
Overseas equities	5,965,276	5,544,937
Pooled funds UK equities	546,390	586,529
Pooled funds overseas Equities	579,570	633,687
Pooled funds UK properties	610,566	529,604
Pooled funds overseas properties	86,722	76,419
Pooled funds UK hedge fund	124,360	105,585
Pooled funds UK private equities	832,312	676,465
Pooled funds overseas private equities	438,729	371,534
Pooled funds UK private equity infrastructure	868,183	639,404
Pooled funds overseas private equity infrastructure	164,463	83,511
Direct property	7,350	7,300
Cash certificate of deposits	556,926	422,003
Cash bank	6,230	41,592
Other investment assets	61,580	58,153
Other investment liabilities	-43	-13,990
Total Investment Assets	**17,909,540**	**16,267,534**

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

Asset type	Value as at 31-Mar-22 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	911,984	1.30	923,840	900,128
Overseas bonds	490,836	0.30	492,309	489,363
UK index-linked	659,908	5.90	698,843	620,973
Overseas index-linked	96,032	5.90	101,698	90,366
UK equities	4,902,166	12.20	5,500,230	4,304,102
Overseas equities	5,965,276	8.10	6,448,463	5,482,089
Pooled funds UK equities	546,390	12.20	613,050	479,730
Pooled funds overseas Equities	579,570	12.20	650,278	508,862
Pooled funds UK properties	610,566	18.60	724,131	497,001
Pooled funds overseas properties	86,722	18.60	102,852	70,592
Pooled funds UK hedge fund	124,360	17.80	146,496	102,224
Pooled funds UK private equities	832,312	34.90	1,122,789	541,835
Pooled funds overseas private equities	438,729	34.90	591,845	285,613
Pooled funds UK private equity infrastructure	868,183	12.90	980,179	756,187
Pooled funds overseas private equity infrastructure	164,463	12.90	185,679	143,247
Direct property	7,350	10.10	8,092	6,608
Cash certificate of deposits	556,926	0.50	559,711	554,141
Cash bank	6,230	0.50	6,261	6,199
Other investment assets	61,580	0.50	61,888	61,272
Other investment liabilities	-43	0.50	-43	-43
Total Investment Assets	**17,909,540**		**19,918,591**	**15,900,489**

Asset type	Value as at 31-Mar-21 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	991,700	7.00	1,061,119	922,281
Overseas bonds	324,111	5.80	342,909	305,313
UK index-linked	645,331	0.90	651,139	639,523
Overseas index-linked	89,788	0.90	90,596	88,980
UK equities	4,453,871	31.20	5,843,479	3,064,263
Overseas equities	5,544,937	39.30	7,724,097	3,365,777
Pooled funds UK equities	586,529	31.20	769,526	403,532
Pooled funds overseas Equities	633,687	39.30	882,726	384,648
Pooled funds UK properties	529,604	1.70	538,607	520,601
Pooled funds overseas properties	76,419	1.70	77,718	75,120
Pooled funds UK hedge fund	105,585	11.20	117,411	93,759
Pooled funds UK private equities	676,465	5.40	712,994	639,936
Pooled funds overseas private equities	371,534	5.40	391,597	351,471
Pooled funds UK private equity infrastructure	639,404	0.80	644,519	634,289
Pooled funds overseas private equity infrastructure	83,511	0.80	84,179	82,843
Direct property	7,300	16.60	8,512	6,088
Cash certificate of deposits	422,003	1.50	428,333	415,673
Cash bank	41,592	1.50	42,216	40,968
Other investment assets	58,153	1.50	59,025	57,281
Other investment liabilities	-13,990	1.50	-14,200	-13,780
Total Investment Assets	**16,267,534**		**20,456,502**	**12,078,566**

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 2022 and 31 March 2021 are set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

At 31 March 2021 £000	Asset type	At 31 March 2022 £000
1,315,811	Bonds	1,402,820
422,003	Cash deposits	556,926
41,592	Cash at bank	6,230
1,779,406	**Total**	**1,965,976**

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 2022 £000	Value on Increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,402,820	1,416,848	1,388,792
Cash deposits	556,926	562,495	551,357
Cash at bank	6,230	6,292	6,168
Total change in assets available	**1,965,976**	**1,985,635**	**1,946,317**
Asset type	**Value at 31 March 2021 £000**	**Value on Increase +100BPS £000**	**Value on decrease -100BPS £000**
Bonds	1,315,811	1,328,969	1,302,653
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**	**1,797,200**	**1,761,612**

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 2022 and 31 March 2021:

Currency exposure - asset type	Value as at 31st March 2022 £000	Value as at 31st March 2021 £000
Overseas bonds	490,836	324,111
Overseas index-linked	96,032	89,788
Overseas equities	5,965,276	5,544,937
Pooled funds overseas Equities	579,570	633,687
Pooled funds overseas properties	86,722	76,419
Pooled funds overseas private equities	438,729	371,534
Pooled funds overseas private equity infrastructure	164,463	83,511
Total overseas assets	**7,821,628**	**7,123,987**

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%, (2020/21 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 Mar 22 £000	Value on increase £000	Value on decrease £000
Overseas bonds	490,836	520,286	461,386
Overseas index-linked	96,032	101,794	90,270
Overseas equities	5,965,276	6,323,193	5,607,359
Pooled funds overseas Equities	579,570	614,344	544,796
Pooled funds overseas properties	86,722	91,925	81,519
Pooled funds overseas private equities	438,729	465,053	412,405
Pooled funds overseas private equity infrastructure	164,463	174,331	154,595
Total overseas assets	**7,821,628**	**8,290,926**	**7,352,330**

Asset type	Value at 31 Mar 21 £000	Value on increase £000	Value on decrease £000
Overseas bonds	324,111	343,558	304,664
Overseas index-linked	89,788	95,175	84,401
Overseas equities	5,544,937	5,877,633	5,212,241
Pooled funds overseas Equities	633,687	671,708	595,666
Pooled funds overseas properties	76,419	81,004	71,834
Pooled funds overseas private equities	371,534	393,826	349,242
Pooled funds overseas private equity infrastructure	83,511	88,522	78,500
Total overseas assets	**7,123,987**	**7,551,426**	**6,696,548**

e) Credit risk

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

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

f) Liquidity risk

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

Note 24. Contractual commitments

At 31 March 2022 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31st March 2022	Un-drawn commitments
	£m	£m
Private equity	2,283	1,315
Property funds	718	57
Total	**3,001**	**1,372**

At 31st March 2021 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment value at 31st March 2021	Un-drawn commitments
	£m	**£m**
Private equity	1,771	1,237
Property funds	606	76
Total	**2,377**	**1,313**

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 2021 but not yet adopted by the CIPFA code of practice on local authority accounting and consequently are not yet adopted by the fund is provided below:

- The introduction of IFRS 16 (Leasing), has been deferred to 2022-23. In line with para 3.3.4.3 of the Code.

The introduction of, and amendments to, the above accounting standards is 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 this report and are available on the Fund's website https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/

Note 27. List of Participating Employers Contributing to the Fund
In 2021/22 463 employers paid contributions into the Fund, at the end of the year there were 433 employers with active members.

PARTICIPATING EMPLOYERS		
BRADFORD M.D.C	FOXHILL PRIMARY SCHOOL	OUTWOOD PRIMARY ACADEMY KIRKHAMGATE
CALDERDALE M.B.C	FREESTON ACADEMY	OUTWOOD PRIMARY ACADEMY LEDGER LANE
KIRKLEES M.C	FUTURE CLEANING SERVICES LIMITED (CALDER HIGH)	OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE
LEEDS CITY COUNCIL	GOLCAR JUNIOR INFANTS AND NURSERY SCHOOL	OUTWOOD PRIMARY ACADEMY NEWSTEAD GREEN
WAKEFIELD M.D.C	GREAT HEIGHTS ACADEMY TRUST	OUTWOOD PRIMARY ACADEMY PARK HILL
ABBEY MULTI ACADEMY TRUST	GREENHEAD SIXTH FORM COLLEGE	OWLCOTES MULTI ACADEMY TRUST
ABSOLUTELY CATERING LIMITED (BATLEY MAT)	GROUNDWORK LEEDS	PADDOCK JUNIOR INFANT AND NURSERY SCHOOL
ABSOLUTELY CATERING LTD (BGS)	GROUNDWORK WAKEFIELD	PARK LANE LEARNING TRUST
ACCOMPLISH MAT	GROVE HOUSE PRIMARY SCHOOL	PENNINE ACADEMIES YORKSHIRE
ACCORD MULTI ACADEMY TRUST	GUISELEY INFANTS	PINNACLE (W Y POLICE)
ACKWORTH PARISH COUNCIL	GUISELEY SCHOOL	PINNACLE FM LIMITED (KIRKLEES)
ACTIVE CLEANING LTD (CROFTON ACADEMY)	HALIFAX OPPORTUNITIES TRUST (CALDERDALE)	PINNACLE FM LTD
ADDINGHAM PARISH COUNCIL	HANSON SCHOOL	POLARIS M.A.T
ADEL ST JOHN THE BAPTIST C E (V A) PRIMARY SCHOOL	HAWKSWORTH C E (VA) PRIMARY SCHOOL	PONTEFRACT ACADEMIES TRUST
AFFINITY TRUST	HEBDEN ROYD TOWN COUNCIL	POOL PARISH COUNCIL
AIREBOROUGH LEARNING PARTNERSHIP TRUST	HECKMONDWIKE GS ACADEMY TRUST	POSSABILITIES CIC
ALDER TREE PRIMARY ACADEMY (WRAT)	HECKMONDWIKE PRIMARY SCHOOL	PRIESTLEY ACADEMY TRUST
ALL SAINTS C E J & I SCHOOL	HEMSWORTH TOWN COUNCIL	PRIMROSE LANE PRIMARY FOUNDATION SCHOOL
ALL SAINTS RICHMOND HILL CHURCH OF ENGLAND PRIMARY SCHOOL	HEPWORTH GALLERY TRUST	PROGRESS TO CHANGE (CARDIGAN HOUSE)
AMEY COMMUNITY LTD BRADFORD BSF PHASE 2 FM SERVICES	HF TRUST LIMITED	PROGRESS TO CHANGE (RIPON HOUSE)

AMEY COMMUNITY LTD FM SERVICES	HILL TOP FIRST SCHOOL	PUDSEY GRANGEFIELD SCHOOL
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)	HILLCREST ACADEMY	PUDSEY SOUTHROYD PRIMARY SCHOOL TRUST
APCOA PARKING (UK) LIMITED	HIPPERHOLME AND LIGHTCLIFFE HIGH SCHOOL ACADEMY	QUEENSWAY PRIMARY
APPLETON ACADEMY	HOLME VALLEY PARISH COUNCIL	RAINBOW PRIMARY LEADERSHIP ACADEMY
ARAMARK LIMITED	HOLY FAMILY CATHOLIC (VA) PRIMARY SCHOOL	RAWDON PARISH COUNCIL
ARAMARK LIMITED (GREENHEAD COLLEGE)	HOLY TRINITY PRIMARY C OF E ACADEMY	RED KITE LEARNING TRUST (HARROGATE HR HUB)
ARCADIS (UK) LTD	HORBURY ACADEMY	RED KITE LEARNING TRUST (LEEDS EAST HR HUB)
ARTS COUNCIL ENGLAND	HORBURY BRIDGE CE J AND I SCHOOL	REEVY HILL PRIMARY SCHOOL
ASPENS SERVICES LTD	HORSFORTH SCHOOL ACADEMY	RENEWI UK SERVICES LIMITED
ASPENS SERVICES LTD (APPLETON ACADEMY)	HORSFORTH TOWN COUNCIL	RODILLIAN MULTI ACADEMY TRUST
ASPENS SERVICES LTD (OASIS ACADEMY)	HORTON HOUSING ASSOCIATION (BRADFORD)	ROOK'S NEST ACADEMY
ASPIRE COMMUNITY BENEFIT SOCIETY LTD	HUDDERSFIELD NEW COLLEGE	ROTHWELL ST MARYS CATHOLIC (VA) PRIMARY SCHOOL
ASPIRE-IGEN GROUP LTD	HUGH GAITSKELL PRIMARY SCHOOL TRUST	ROUNDHAY ST JOHNS C E (VA) PRIMARY SCHOOL
ATALIAN SERVEST (MAST ACADEMY TRUST)	HUMANKIND CHARITY (LEEDS)	ROYDS ACADEMY
BAILDON TOWN COUNCIL	HUNSLET ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL	ROYDS LEARNING TRUST
BANKSIDE PRIMARY SCHOOL	HUTCHISON CATERING LTD (GUISELEY SCHOOL)	RUFFORD PARK PRIMARY
BARDSEY PRIMARY FOUNDATION SCHOOL	I S S FACILITY SERVICES LTD	RUSSELL HALL FIRST SCHOOL
BARNARDOS ASKHAM GRANGE PRISON	I S S MEDICLEAN LTD	RYBURN VALLEY HIGH SCHOOL
BASKETBALL ENGLAND	ILKLEY PARISH COUNCIL	RYHILL PARISH COUNCIL
BATLEY GRAMMAR SCHOOL (BATLEY M.A.T.)	IMPACT EDUCATION MULTI ACADEMY TRUST	SALENDINE NOOK ACADEMY TRUST
BATLEY MULTI ACADEMY TRUST	INCOMMUNITIES	SALTERLEE ACADEMY TRUST
BECKFOOT TRUST	INNOVATE SERVICES LTD (CROSSFLATTS)	SCOUT ROAD ACADEMY
BEESTON HILL ST LUKES C E PRIMARY SCHOOL	INSPIRE PARTNERSHIP MULTI ACADEMY TRUST	SEA FISH INDUSTRY AUTHORITY
BEESTON PRIMARY TRUST	INTERACTION AND COMMUNICATION ACADEMY TRUST	SERVEST (B B G ACADEMY)
BELLE ISLE TENANT MANAGEMENT ORG	INTERACTION AND COMMUNICATION ACADEMY TRUST (HIGH PARK)	SHARE MULTI ACADEMY TRUST
BID SERVICES	INTERSERVE (FACILITIES MANAGEMENT) LTD (W Y POLICE CLEANING CONTRACT)	SHIBDEN HEAD PRIMARY ACADEMY
BINGLEY GRAMMAR SCHOOL	IQRA ACADEMY (FEVERSHAM EDUCATION TRUST)	SHIPLEY COLLEGE
BIRSTALL PRIMARY ACADEMY	JOHN SMEATON ACADEMY	SHIPLEY TOWN COUNCIL
BLESSED CHRISTOPHER WHARTON ACADEMY TRUST	JOSEPH NORTON ACADEMY	SHIRLEY MANOR PRIMARY ACADEMY
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (CALDERDALE)	KEELHAM PRIMARY SCHOOL	SITLINGTON PARISH COUNCIL
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (KIRKLEES)	KEEPMOAT PROPERTY SERVICES LIMITED	SKILLS FOR CARE LIMITED
BOLTON BROW PRIMARY ACADEMY	KEIGHLEY TOWN COUNCIL	SODEXO LTD
BOOTHROYD PRIMARY ACADEMY	KHALSA SCIENCE ACADEMY	SOUTH ELMSALL TOWN COUNCIL
BRADFORD ACADEMY	KILLINGHALL PRIMARY SCHOOL	SOUTH HIENDLEY PARISH COUNCIL
BRADFORD COLLEGE	KING JAMES'S SCHOOL	SOUTH KIRKBY AND MOORTHORPE TOWN COUNCIL
BRADFORD DIOCESAN ACADEMIES TRUST	KINGS SCIENCE ACADEMY	SOUTH OSSETT INFANTS ACADEMY
BRADFORD DISTRICT CREDIT UNION	KIRKBURTON PARISH COUNCIL	SOUTH PENNINE ACADEMIES
BRADSHAW PRIMARY SCHOOL	KIRKLEES ACTIVE LEISURE	SOUTHFIELD GRANGE TRUST
BRAMLEY ST PETERS C OF E SCHOOL	KIRKLEES CITIZENS ADVICE AND LAW CENTRE	SPEN VALLEY HIGH SCHOOL
BRIGHOUSE ACADEMY	KIRKLEES COLLEGE	SPIE LTD
BRIGHOUSE HIGH SCHOOL	KIRKSTALL ST STEPHENS C E (VA) PRIMARY SCHOOL	SPRINGWELL ACADEMY LEEDS

BRIGHTER FUTURES ACADEMY TRUST	LADY ELIZABETH HASTINGS SCHOOL	SSE CONTRACTING LTD
BRIGSHAW LEARNING PARTNERSHIP	LAISTERDYKE LEADERSHIP ACADEMY	ST ANNE'S (BRADFORD) COMMUNITY SERVICES
BRITISH GAS SOCIAL HOUSING LTD	LANE END PRIMARY TRUST	ST ANNES CATHOLIC PRIMARY ACADEMY
BRODETSKY JEWISH (V A) PRIMARY SCHOOL	LEARNING ACCORD MULTI ACADEMY TRUST	ST ANNE'S COMMUNITY SERVICES
BRONTE ACADEMY TRUST	LEEDS APPROPRIATE ADULT SERVICE	ST ANTHONYS CATHOLIC (VA) PRIMARY SCHOOL
BROOKSBANK SCHOOL SPORTS COLLEGE	LEEDS ARTS UNIVERSITY	ST EDWARDS CATHOLIC (VA) PRIMARY SCHOOL
BULLOUGH CONTRACT SERVICES (LEEDS CITY COLLEGE)	LEEDS BECKETT UNIVERSITY	ST FRANCIS CATHOLIC PRIMARY SCHOOL
BULLOUGHS CLEANING SERVICES LIMITED (WRAT)	LEEDS C.A.B.	ST FRANCIS OF ASSISI CATHOLIC (VA) PRIMARY SCHOOL
BURLEY PARISH COUNCIL	LEEDS CENTRE FOR INTEGRATED LIVING	ST GREGORY THE GREAT CATHOLIC ACADEMY TRUST
BURNLEY ROAD ACADEMY	LEEDS CITY ACADEMY	ST JOHN'S (CE) PRIMARY ACADEMY TRUST
BUTTERSHAW BUSINESS AND ENTERPRISE COLLEGE	LEEDS CITY COLLEGE	ST JOHN'S APPROVED PREMISES LIMITED
C AND K CAREERS LTD	LEEDS COLLEGE OF BUILDING	ST JOHN'S PRIMARY ACADEMY RISHWORTH
CAFCASS	LEEDS COLLEGE OF MUSIC	ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL WETHERBY
CALDER HIGH SCHOOL	LEEDS EAST PRIMARY PARTNERSHIP TRUST	ST JOSEPHS RC PRIMARY SCHOOL (TODMORDEN) RCAT
CALDERDALE COLLEGE	LEEDS GRAND THEATRE & OPERA HSE	ST MATTHEWS C E PRIMARY SCHOOL
CALVERLEY C OF E PRIMARY SCHOOL	LEEDS JEWISH FREE SCHOOL	ST MICHAEL & ALL ANGELS J & I
CARDINAL HEENAN CATHOLIC HIGH SCHOOL	LEEDS METROPOLITAN UNIVERSITY	ST NICHOLAS CATHOLIC PRIMARY SCHOOL
CARE QUALITY COMMISSION	LEEDS NORTH WEST EDUCATION PARTNERSHIP	ST OSWALDS CHURCH OF ENGLAND PRIMARY SCHOOL
CARLTON ACADEMY TRUST	LEEDS SOCIETY FOR THE DEAF & BLIND	ST PATRICKS CATHOLIC (VA) PRIMARY SCHOOL
CARR MANOR COMMUNITY SCHOOL	LEEDS TRINITY UNIVERSITY	ST PETERS C E PRIMARY SCHOOL
CARROLL CLEANING CO LTD (LAPAGE PRIMARY SCHOOL)	LEODIS ACADEMIES TRUST	ST PHILIPS CATHOLIC PRIMARY SCHOOL
CARROLL CLEANING COMPANY (NESSFIELD PRIMARY SCHOOL)	LIBERTY GAS OUTER WEST	ST THERESAS CATHOLIC PRIMARY SCHOOL
CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)	LIBERTY GAS WEST	STAR ACADEMIES TRUST
CARROLL CLEANING COMPANY LIMITED (THORNBURY)	LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST	STRAWBERRY FIELDS PRIMARY SCHOOL
CARROLL CLEANING COMPANY LTD (BIRKENSHAW PRIMARY SCHOOL)	LIGHTCLIFFE C. E. J & I SCHOOL	SUEZ RECYCLING AND RECOVERY UK LIMITED
CARROLL CLEANING COMPANY LTD (HOLY TRINITY PRIMARY)	LIGHTHOUSE SCHOOL	TAYLOR SHAW (RKLT)
CARROLL CLEANING COMPANY LTD (PEEL PARK PRIMARY SCHOOL)	LINDLEY C E INFANT ACADEMY	TAYLOR SHAW LIMITED (GORSE ACADEMIES TRUST)
CARROLL CLEANING COMPANY LTD (SALTAIRE PRIMARY)	LINDLEY JUNIOR SCHOOL ACADEMY TRUST	TAYLOR SHAW LIMITED (GORSE AT ELLIOTT HUDSON COLLEGE)
CARROLL CLEANING COMPANY LTD (SOUTHMERE PRIMARY ACADEMY)	LITTLEMOOR PRIMARY	TAYLOR SHAW LTD (GORSE BOSTON PRIMARY SCHOOL)
CARROLL CLEANING COMPANY LTD (ST JOHNS WAKEFIELD)	LITTLETOWN JUNIOR SCHOOL	TAYLORSHAW LTD (CROSSGATES BEECHWOOD WHITELAITH)
CARROLL CLEANING COMPANY LTD (WAKEFIELD)	LOCALA	THE ANAH PROJECT
CARROLL CLEANING COMPANY LTD (WHETLEY)	LOCALA (CALDERDALE)	THE BISHOP KONSTANT CATHOLIC TRUST
CASTLEFORD ACADEMY TRUST	LONGROYDE JUNIOR SCHOOL	THE BISHOP WHEELER CATHOLIC ACADEMY TRUST
CATERLINK LIMITED (IRELAND WOOD PRIMARY SCHOOL)	LUDDENDENFOOT ACADEMY	THE CO-OPERATIVE ACADEMIES TRUST
CBRE MANAGED SERVICES LIMITED	MAKING SPACE	THE CROSSLEY HEATH ACADEMY TRUST
CHIEF CONSTABLE FOR WEST YORKSHIRE	MANSTON ST JAMES ACADEMY	THE CROSSLEY HEATH SCHOOL
CHRISTCHURCH C E ACADEMY	MAST ACADEMY TRUST	THE FAMILY OF LEARNING TRUST
CHURCHILL CONTRACT SERVICES (B B G ACADEMY)	MEANWOOD C E (VA) PRIMARY SCHOOL	THE FARNLEY ACADEMY

CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE SECURITY)	MEARS LTD (SOUTH)	THE GORSE ACADEMIES TRUST
CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE)	MEARS LTD (WEST)	THE LANTERN LEARNING TRUST
CHURCHILL CONTRACT SERVICES (OUTWOOD GRANGE ACADEMIES TRUST)	MELLORS CATERING SERVICES (SHARE MAT)	THE MFG ACADEMIES TRUST
CHURCHILL CONTRACT SERVICES (SHARE MAT)	MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)	THE POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE
CHURCHILL CONTRACT SERVICES LTD (WEST YORKSHIRE FIRE & RESCUE)	MELLORS CATERING SERVICES LIMITED (EXCEED ACADEMIES TRUST)	THORNHILL JUNIOR AND INFANT SCHOOL
CLAPGATE PRIMARY SCHOOL	MELLORS CATERING SERVICES LIMITED (HECKMONDWIKE GRAMMAR SCHOOL)	THORNTON GRAMMAR SCHOOL
CLAYTON PARISH COUNCIL	MELLORS CATERING SERVICES LIMITED (PENNINE ACADEMIES TRUST)	THORNTON PRIMARY SCHOOL
COALFIELDS REGENERATION TRUST	MELLORS CATERING SERVICES LTD (CAVENDISH PRIMARY)	THORP ARCH LADY ELIZABETH HASTINGS C E (VA) PRIMARY SCHOOL
COCKBURN MULTI ACADEMY TRUST	MELLORS CATERING SERVICES LTD (WRAT)	TNS CATERING (SPTA)
COLLABORATIVE LEARNING TRUST	MELTHAM TOWN COUNCIL	TNS CATERING MAN LTD (ST BOTOLPHS)
COLLINGHAM LADY ELIZABETH HASTINGS	MENSTON PARISH COUNCIL	TODMORDEN TOWN COUNCIL
COMMUNITY ACCORD	MICKLEFIELD PARISH COUNCIL	TOGETHER HOUSING ASSOCIATION LTD (GREENVALE)
COMPASS (LEEDS PFI SCHOOLS)	MINSTHORPE ACADEMY TRUST	TOGETHER HOUSING ASSOCIATION LTD (PENNINE)
COMPASS CONTRACT SERVICES (LAISTERDYKE)	MIRFIELD FREE GRAMMAR SCHOOL	TOGETHER LEARNING TRUST
COMPASS CONTRACT SERVICES (NORTHERN EDUCATION TRUST)	MITIE CATERING SERVICES LIMITED	TONG HIGH SCHOOL
COMPASS CONTRACT SERVICES (ST JOHN FISHERS)	MITIE FM LTD	TONG LEADERSHIP ACADEMY
COMPASS CONTRACT SERVICES (UK) (PONTEFRACT ACADEMIES TRUST)	MITIE FM LTD (P.C.C FOR WEST YORKSHIRE)	TRANMERE PARK PRIMARY
COMPASS CONTRACT SERVICES (UK) LTD	MITIE INTEGRATED SERVICES LTD	TRINITY ACADEMY HALIFAX
COMPASS CONTRACT SERVICES (WESTBOROUGH HIGH SCHOOL)	MITIE LIMITED (LEEDS SCHOOLS PFI)	TURNING LIVES AROUND
COMPASS CONTRACT SERVICES (WHETLEY ACADEMY)	MITIE PFI LIMITED	TURNING POINT
CONSULTANT CLEANERS LIMITED (WESTBOROUGH HIGH SCHOOL)	MOORLANDS LEARNING TRUST	UNITED RESPONSE
COOKRIDGE HOLY TRINITY C E PRIMARY SCHOOL	MORLEY ACADEMY	UNIVERSITY ACADEMY KEIGHLEY
CORPUS CHRISTI CATHOLIC PRIMARY SCHOOL	MOUNT ST MARYS CATHOLIC HIGH SCHOOL	UNIVERSITY OF BRADFORD
COTTINGLEY PRIMARY ACADEMY	MOUNTAIN HEALTHCARE LTD (W Y POLICE)	UNIVERSITY OF HUDDERSFIELD
CRAFT CENTRE & DESIGN GAL. LTD	MYRTLE PARK PRIMARY SCHOOL	UNIVERSITY TECHNICAL COLLEGE LEEDS
CREATIVE SUPPORT LIMITED	N.I.C. SERVICES GROUP LIMITED (MIDDLETON ST MARYS LEEDS)	VESTA MANAGEMENT GROUP LTD (DANE ROYD J & I SCHOOL)
CRESCENT PURCHASING LTD	NATIONAL COAL MINING MUSEUM FOR ENGLAND	VICTORIA PRIMARY ACADEMY
CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY	NELL BANK CHARITABLE TRUST	W.Y. FIRE & RESCUE AUTHORITY
CROFTON ACADEMY	NEW COLLABORATIVE LEARNING TRUST	WAKEFIELD & DISTRICT HOUSING LTD
CROSSLEY HALL PRIMARY SCHOOL	NINELANDS PRIMARY SCHOOL	WAKEFIELD COLLEGE
CROSSLEY STREET PRIMARY SCHOOL	NORMANTON TOWN COUNCIL	WATERTON ACADEMY TRUST
CROW LANE PRIMARY AND FOUNDATION STAGE SCHOOL	NORSE GROUP LIMITED (WELLSPRING ACADEMY TRUST)	WELLSPRING ACADEMY TRUST
DARRINGTON C OF E PRIMARY SCHOOL	NORTH HALIFAX GRAMMAR ACADEMY	WEST NORTH WEST HOMES LEEDS
DEIGHTON GATES PRIMARY FOUNDATION SCHOOL	NORTH HALIFAX PARTNERSHIP LTD	WEST YORKSHIRE COMBINED AUTHORITY
DELTA ACADEMIES TRUST	NORTH HUDDERSFIELD TRUST SCHOOL	WEST YORKSHIRE FRA
DENBY DALE PARISH COUNCIL	NORTHERN AMBITION ACADEMIES TRUST	WEST. YORKS. POLICE CIVILIAN
DIXONS ACADEMIES CHARITABLE TRUST LTD	NORTHERN EDUCATION TRUST	WEST. YORKSHIRE ITA
DOLCE LIMITED (BISHOP KONSTANT C.A.T)	NORTHERN SCH.OF CONTEMP DANCE	WEST. YORKSHIRE P.T.E.
EAST NORTH EAST HOMES LEEDS	NORTHERN STAR ACADEMIES TRUST	WESTBOROUGH HIGH SCHOOL

EBOR GARDENS PRIMARY ACADEMY	NORTHORPE HALL CHILD AND FAMILY TRUST	WESTWOOD PRIMARY SCHOOL TRUST
ELEMENTS PRIMARY SCHOOL	NOTRE DAME SIXTH FORM COLLEGE	WETHERBY HIGH SCHOOL
ELEVATE MULTI ACADEMY TRUST	NPS LEEDS LIMITED	WETHERBY TOWN COUNCIL
ELITE CLEANING AND ENVIRONMENTAL SERVICES LTD	NURTURE ACADEMIES TRUST	WHINMOOR ST PAULS C E PRIMARY SCHOOL
ENGIE SERVICES LTD	NURTURE ACADEMIES TRUST (DOLCE)	WHITEHILL COMMUNITY ACADEMY
ENHANCE ACADEMY TRUST	OASIS ACADEMY LISTER PARK	WILLIAM HENRY SMITH SCHOOL
ENVIROSERVE (PRIESTLEY ACADEMY TRUST)	OLD EARTH ACADEMY	WILSDEN PRIMARY SCHOOL
ENVIROSERVE (VICTORIA PRIMARY ACADEMY)	ONE IN A MILLION FREE SCHOOL	WOLSELEY UK LTD
ETHOS ACADEMY TRUST	OPEN COLLEGE NETWORK YORKS & HUMBER (TRADING AS CERTA)	WOODSIDE ACADEMY
EVOLVE ACADEMY (ETHOS ACADEMY TRUST)	OSSETT TRUST	WORTH VALLEY PRIMARY SCHOOL
EXCEED ACADEMIES TRUST	OTLEY TOWN COUNCIL	WRAT - LEEDS EAST ACADEMY
FAIRFIELD SCHOOL	OUR LADY OF GOOD COUNSEL CATHOLIC PRIMARY SCHOOL	WRAT - LEEDS WEST ACADEMY
FALCON EDUCATION ACADEMIES TRUST	OUTWOOD ACADEMY FREESTON	YEADON WESTFIELD INFANTS
FEVERSHAM EDUCATION TRUST	OUTWOOD ACADEMY HEMSWORTH	YEADON WESTFIELD JUNIOR
FEVERSHAM PRIMARY ACADEMY	OUTWOOD ACADEMY WAKEFIELD CITY	YORKSHIRE PURCHASING ORGANISATION
FIELDHEAD JUNIOR INFANT AND NURSERY ACADEMY	OUTWOOD GRANGE ACADEMY	
FLEET FACTORS LTD	OUTWOOD PRIMARY ACADEMY BELL LANE	

This glossary is provided to assist the reader. It offers an explanation of terms in common use in relation to local authority finance, many of which are used within this document.

Accruals

Income and expenditure are recognised as they are earned or incurred. When income is due to the Council but has not been received an accrual is made for the debtor. When the Council owes money but the payment has not been made an accrual is made for the creditor.

Assets Held for Sale

These are assets previously used in the provision of services by the Council which are now available for immediate sale. The assets are being actively marketed and a sale is probable.

Associated Company

A company over which the Council is able to exercise significant influence (see also Group Accounts).

Capital Adjustment Account

The Capital Adjustment Account (CAA) was set up in 2008-9 following UK GAAP accountancy changes and replaces the Capital Financing Account. It is required to ensure that both sides of the Balance Sheet remain in balance, and increases and decreases in asset valuations are credited and debited to this account as appropriate following asset revaluations.

Capital Charges

Charges to services for the use of assets. They comprise depreciation, based on the current value of the assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of non-current assets, or which adds to, and not merely maintains, the value to the Council of existing non-current assets. Non-current assets provide economic benefits to the Council for a period in excess of one year.

Capital Financing Requirement

A measure defined by the Prudential Code of the Council's level of borrowing for capital purposes. It is based on the Balance Sheet of the Council. It is the basis for calculating the charge to be made to revenue for debt repayment each year (see Minimum Revenue Provision).

Capital Receipts

Income from the disposal of land and other assets and from the repayment of grants and loans made to others for capital purposes. The income can only be used either to finance new capital spending or to reduce the capital financing requirement through the repayment of debt.

Code of Practice on Local Authority Accounting in the United Kingdom (the Code)

This document is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA). It defines proper accounting practices for local authorities in the United Kingdom, and is generally abbreviated to 'the Code' in the text. The Code is based on International Financial Reporting Standards.

Collection Fund

The fund deals with the collection and distribution of Council Tax and non-domestic rates. Surpluses may arise from time to time if the amounts collected from Council Tax (and its predecessor, community charge) exceed estimates. Such surpluses cannot be used directly to fund expenditure, but can be taken into account through the budget process and used to reduce Council Tax.

Community Assets

Assets such as parks and historic buildings that the Council intends to hold in perpetuity and that may have restrictions on their disposal.

Consistency

The concept that the accounting treatment of any given item will remain consistent between accounting years and that any necessary change will be made clear to the reader of the statement of accounts.

Contingent Liabilities

These are material liabilities where the contingent loss cannot be accurately estimated or is not considered sufficiently certain to include in the accounts. They are therefore brought to the attention of readers of the accounts as a note to the Balance Sheet.

Creditors

Amounts owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

Debtors

Sums of money owed to the Council but not received at the end of the year.

Depreciation

A capital charge made to services for the use of non-current assets in the provision of services. It represents the depletion of the useful life of an asset and the consequent reduction in its value.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. Consequently, the leased assets are recognised on the Balance Sheet of the lessee.

Financial Instruments
A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability of another. The term covers both financial liabilities and financial assets and, includes the borrowing, lending, soft loans, financial guarantees and bank deposits of the Council.

Financial Reporting Standards (FRS)

Accounting practice to be followed in the preparation of accounting statements in the years prior to 2010-11. For example FRS17 governs the way in which pension liabilities must be presented in the accounts. From 2010-11 onwards FRS will be fully replaced by IFRS (International Financial Reporting Standards), see below.

General Fund

All services other than those which authorities are required to account for separately in a Housing Revenue Account or Collection Fund.

General Reserves and Balances

Monies held by the Council to deal with unforeseen events that might arise. The Council must maintain a prudent level of such balances.

Group Accounts
Where authorities have material interests in subsidiaries, associated companies or joint ventures they are required to prepare additional group account statements. The group accounts consolidate those interests in subsidiaries, associates and joint ventures with the Council's own accounts to present a complete picture of the Council's activities.

Heritage Assets
These are assets, previously classified as community assets, which are intended to be preserved in trust for future generations because of their cultural, environmental of historical associations.

International Financial Reporting Standards (IFRS)
These are accounting standards issued by the International Accounting Standards Board.

Impairment
A diminution in value of non-current assets resulting from obsolescence, physical damage or general market conditions. The Council undertakes annual reviews of its assets to identify impairment.

Comprehensive Income and Expenditure Statement

This statement is compiled in accordance with IFRS and reports the net cost for the year of the services provided by the Council. It brings together expenditure and income relating to all of the local authority's operations and demonstrates how the net cost has been financed from general government grants and income from local taxpayers.

Infrastructure Assets

These are assets such as highways and footpaths.

Investments

These may be long-term investments whose purpose is to produce capital gain and rental income, or the short-term investment of cash balances that may arise from day to day management of the Council's cash flow.

Investment Properties

Land and buildings that are held for capital gain and rental income and not for the provision of services.

Joint Venture

A company or body in which decisions require the consent of all participants (see also Group Accounts).

Liabilities

Amounts due to individuals or organisations and to be paid at some time in the future. Current liabilities are payable within one year of the Balance Sheet date.

Local Area Agreement (LAA)

The LAA is a partnership between the Council and other public bodies whose aim is to work together towards jointly agreed objectives to improve local public services. The Council's LAA partners comprise local health bodies, learning bodies, community groups, housing associations and voluntary associations.

Materiality

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision (MRP)

This is the minimum amount of external borrowing that authorities must repay and charge to their revenue accounts each year. It is calculated as a percentage of the Council's capital financing requirement at the start of the year.

Non Current Assets

Assets that yield economic benefits to the Council for a period of more than one year. Examples include land, buildings, vehicles and investment property.

Non-Domestic Rates (NNDR)

These are rates levied on business properties. The level of NNDR charges is set by the Government. The Council receives 49% of the rates levied in the district, central government 50% and West Yorkshire Fire and Rescue Authority 1%.

Net Book Value

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Operating Leases

Leases other than finance leases. Under operating leases the risks and rewards of ownership remain substantially with the lessor. Consequently, the assets concerned are not included on the Balance Sheet of the lessee.

Property, Plant and Equipment (PPE)

These are non-current assets used directly to deliver the Council's services. The assets comprise land, buildings and plant with a carrying value in the Balance Sheet based on current value in use. PPE also includes equipment like vehicles, which are valued at historic cost.

Precept

The amount levied by the various joint authorities (e.g. police and fire authorities) which is collected by the Council on their behalf through the Council Tax.

Prior Year Adjustments

Material adjustments applicable to prior period, arising from changes in accounting policies or from other corrections.

Private Finance Initiative (PFI)

A central government initiative that enables authorities to carry out capital projects through partnership with the private sector.

Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

Prudential Code

The Code ensures that authorities borrow only for capital purposes and that they borrow responsibly and at affordable levels. Authorities demonstrate compliance with the code by setting and observing a range of prudential indicators covering the level of capital expenditure, the cost of borrowing and level and structure of its debt.

Related Parties

Individuals, or bodies, who have the potential to influence or control the Council or to be influenced or controlled by the Council.

Revenue Expenditure

Expenditure on the day-to-day running costs of services, such as the costs of employees, premises, supplies and services.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Amounts properly incurred as capital expenditure, but where no Council asset is created. They are mainly grants or loans made to individuals or organisations for capital purposes, such as improvement grants.

Revenue Reserve

Any sum set aside for a specific revenue purpose.

Revenue Support Grant (RSG)

A general government grant towards the cost of providing services.

Subsidiary

A company or body over which the Council has control or has the right to exercise dominant influence (see also Group Accounts).

UKGAAP

UK Generally Accepted Accounting Principles. This is a framework of accounting standards for financial reporting standards, which have been replaced by International Financial Reporting Standards from 2010-11 onwards.

Acronym	Full Description
AVCs	Additional Voluntary Contributions
BID	Business Improvement District
BDCT	Bradford District Care Trust
BPS	Base Points
BSF	Building Schools for the Future
BMW	Biodegradable Municipal Waste
CAA	Capital Adjustment Account
CCG	Clinical Commissioning Group
CFR	Capital Financing Requirement
CIES	Comprehensive Income & Expenditure Statement
CIPFA	Chartered Institute of Public Finance and Accountancy
CMT	Corporate Management Team
CPI	Consumer Price Index
CRC	Carbon Reduction Commitment
CSR	Comprehensive Spending Review
DEFRA	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DRC	Depreciated Replacement Cost
DSG	Dedicated Schools Grant
EIR	Effective Interest Rate
EUV	Existing Use Value
FRS	Financial Reporting Standards
FSS	Funding Strategy Statement
GAAP	Generally Accepted Accounting Principles
HRA	Housing Revenue Account
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
ISB	Individual School Budget
IT	Information Technology
JANES	Joint Arrangement which is not an Entity
LAA	Local Area Agreement
LATS	Landfill Allowances Trading Scheme
LEA	Local Education Authority
LEP	Local Education Partnership
LGPS	Local Government Pension Scheme
LOBO	Lender Option Borrower Option
MAP	Management Action Plans
MDCs	Metropolitan District Councils
MRP	Minimum Revenue Provision
NEET	Young people Not in Education, Employment or Training
NDR	Non Domestic Rates
NJC	National Joint Council
OJC	Officers’ Joint Council
PFI	Private Funding Initiative
PfS	Partnership for Schools
PPE	Property, Plant & Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institute of Chartered Surveyors
RPI	Retail Price Index
RSG	Revenue Support Grant

SIP	Statement of Investment Principles
SOLACE	Society of Local Authority Chief Executives
WDA	Waste Disposal Authority
WYCA	West Yorkshire Combined Authority
WYPF	West Yorkshire Pension Fund
VAT	Value Added Tax
YPO	Yorkshire Purchasing Organisation

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 2022 and up to the date of approval of the Statement of Accounts. Whilst supporting the Council's arrangements for risk management, it cannot eliminate all risk to the achievement of policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

2. The Governance Framework.

The systems and processes that comprise the Council’s governance framework consist of the following key elements:

2.1 Code of Corporate Governance.

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

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.2 The Constitution of the Council

The Constitution, reviewed at Annual Council on 18 May 2021 (and on 17 May 2022 in 2022/23), provides a framework for decision-making in accordance with legal requirements for the discharge of the Council’s roles and functions. This includes the framework delegated below full Council within which the Executive and regulatory committees take decisions in discharge of the Council’s executive and regulatory functions, subject to the examination of a number of Overview and Scrutiny Committees. Full Council, the Executive and committee members are collectively responsible for the decisions they make and the decision making arrangements are designed to be open, transparent and accountable to local people.

2.3 Covid Emergency Arrangements

Over the course of 2021/22 governance arrangements returned to normal including a return to in-person meetings of Full Council, Executive and all formal committee meetings as the Government lifted restrictions in Summer 2021 and made it clear that it would not pass emergency legislation to allow meetings of local authorities to be held remotely after 6 May 2021. The Council ensured that measures were in place to minimise the risk of COVID infection including the use of the Council Chamber for Executive meetings and the use of theatres to host some meetings of Full Council. The December 2021 meeting of full Council was cancelled and business deferred to January in the face of increasing numbers of infections of the Omicron variant of COVID-19. The Council’s Corporate Management Team continued to meet twice weekly throughout the year.

3. Review of Effectiveness

3.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by;

3.1.1 The work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment. Confirmations have been obtained from Strategic Directors and the Chief Executive that reasonable steps have been taken to ensure compliance with established policies, procedures, laws and regulations. They have been asked to confirm that risk management is embedded in their departments and ensure scrutiny of the annual managers' governance assurance responses (see 3.1.2 below).

3.1.2 The Council conducts an annual self-assurance process for managers on their compliance with key governance issues. The process targets different aspects of the governance framework each year. For 2021/22, the process covered the following areas;

- Safeguarding
- Equality
- Service Governance
- Performance
- Response to Internal & External Reviews
- Employee Code of Conduct
- Conflicts of Interest
- Whistleblowing
- Health and Safety
- Risk Management
- Business Impact Analysis
- Information Governance
- Compliance with Council Financial Regulations
- Procurement

The completed assessments are shared with Assistant Directors who subsequently provide a declaration that they have examined the results for their service areas, and taken corrective action to deal with any weaknesses identified. Completed assessments were provided to all Assistant Directors by their 4th tier managers, and a total of 109 assessments were made. The responses are also assessed by suitable specialist officers for each area listed above, with actions taken to address any lapses in compliance across the Council.

3.1.3 The Council's Code of Corporate Governance incorporates guidance from CIPFA and SOLACE, and sets out how the Council meets and demonstrates its commitment to good Corporate Governance. The management assurance process outlined above established a baseline for the level of compliance with the Council's code. A review of compliance with the core principles within the code has also been undertaken, led by the Council's Head of Internal Audit, Insurance and Risk.

3.1.4 Compliance with the CIPFA Financial Management Code, which was published in October 2019 and came into full effect in 2021/22. The Code provides guidance for good and sustainable financial management in local authorities and offers assurance that authorities are managing resources effectively.

A 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, and taken to Governance and Audit Committee on 23 September 2021. This provided strong assurance of compliance against the requirements of the code. No material gaps were identified though opportunities for further improvement were recognised as part of continuous improvement processes.

3.1.5 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".

3.1.6 The review is also informed by the work of the Internal Audit section which covers both the Council and the West Yorkshire Pension Fund. The key areas of assurance relate to the work detailed in their monitoring reports on the Council's control environment which are provided at regular intervals to Governance and Audit Committee. The Head of Internal Audit, Insurance & Risk is required to deliver an Annual Internal Audit Opinion and report regularly to the Governance and Audit Committee as prescribed by Public Sector Internal Audit Standards. The scope of Internal Audit's work was restricted during 2021/22 due to ongoing limitations of home working arrangements, and the need for both Internal Audit and Services to prioritise the Council's response to Covid 19. This meant that planned audit coverage of fundamental and significant systems was reduced. However, from the work undertaken by Internal Audit throughout the year and taking into account other internal and external assurance processes, the Head of Internal Audit, Insurance & Risk provided an opinion to Governance and Audit Committee on 14 July 2022 that the overall internal control environment, risk management and governance framework of the Council is effective.

3.1.7 Action plans for improvement are devised and implemented in response to recommendations from Internal Audit, External Audit and other statutory agencies and inspectors. The Council liaises fully and promptly with the Local Government Ombudsman's enquiries into complaints against the Council.

3.1.8 The Council liaises closely with the Information Commissioner's Office in reporting and disclosing information security risks and incidents, and to ensure it discharges fully its duties under the Data Protection Act 2018.

3.2 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 (see 4.1.1 below).

4. Significant Governance Issues

4.1 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 include ongoing actions as outlined below;

4.1.1 Safeguarding Vulnerable Children

- We have developed a new comprehensive structure to meet demands. We are continuing all efforts to recruit and retain staff at all levels across children's social care services in the context of a shortage of qualified social workers nationally.
- We are facing growing demands for services and have seen a growth in the number of children looked after.
- There is a shortage of good quality placements nationally and this is driving the costs of care up significantly, placing further pressure on budgets.
- In the context of the cost of living crisis we anticipate a further growth in poverty and potentially neglect.
- There have been improvements in the Authority's residential provision for children noted in a number of inspections of children's homes.
- We have had positive feedback from Ofsted regarding progress made in Leaving Care services and services to exploited children.

4.1.2 Elective Home Education

Since the Covid-19 pandemic there has been a significant growth in the numbers of children being removed from school rolls to 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. 43% of the children being home educated have previous Children's Social Care involvement. Mental ill health is most often cited, and although some children have returned to roll since Covid, more children are being removed. There is a potential risk that children who are home educated may be perceived as 'unseen' and therefore possibly more at risk. However, the Local Authority has no grounds to insist on seeing these children. There are new requirements in the Schools Bill which require local authorities to keep a register of Children Not in School. This will require significant extra resource.

4.1.3 Ensuring an Effective, Integrated System of Health & Social Care.

The council was fully involved in the design and decision making to create a new distributed leadership model for the new health and care partnership in Bradford, District and Craven. These changes went live on 1 July 2022 with the implementation of the Health & Care Act 2022 which led to the end of Clinical Commissioning Groups as organisational entities and the formal adoption of Integrated Care Systems as the employer of these staff.

A new system strategy has been adopted, a new Memorandum of Understanding has been signed off by partners, our Better Care Fund plan was accepted by NHS England and a planning and commissioning forum oversees our joint commissioning arrangements.

The Strategic Director of Health and Wellbeing took an honorary contract as Director of Integration with Bradford District Foundation NHS Care Trust from 1 May 2022, to join their formal governance arrangements and lead on the integration of community and mental health with adult social care.

4.1.4 Key Staffing Skills

There continues to be a shortage of professional and skilled staff within the employment market leading to recruitment and retention difficulties to key posts. Inability to recruit in key disciplines could have a significant impact on the Council's ability to deliver services and support the Council's ambitions within the financial resources available.

In 2021/22, our actions have included;

- 439 young people started on Kickstart placements across the Council. The largest take up was in Business Admin support and continued to be a popular choice for young people. The Council is due to receive an update in March 2023 from the Department for Work and Pensions with the number of Council Kickstart placements that have led to successful employment. We know that 85 of our Council Kickstart placements have moved on to permanent employment from our scheme.
- The Council commenced a graduate scheme in November 2020. Three graduates were recruited as part of the National Graduate Development Programme (NGDP) in November 2020 and January 2021. A further 5 NGDP graduates were recruited through September and October 2022. Placements are offered across Departments with each graduate completing four placements in the two-year period they are with the Council. We are developing a graduate scheme for West Yorkshire Pension Fund and considering routes for other key areas across the Council as well as linking in with initiatives across our public sector system at a place level.

- We are using the apprenticeship levy to develop existing and new skills including those in professional and skilled roles. The 293 Live Council apprentices are made up of 57 apprentices in maintained schools, 61 new starters in the Council and 175 existing Council staff. The most popular apprenticeship jobs roles/sector qualifications for the 57 apprentices in schools are Early Years (47%), Teaching Assistant/Teacher (33%) Business Admin, Management and IT (20%), Council apprenticeships are in: Adult Care (25%), Management (18%), Building, Construction, Civil Engineering, Trades (14%) Children and Young People (8%), Production/Hospitality (7%), Business Admin (6%) Social Work (3%), and (22%) on other specialised apprenticeship training.

- In Children's Services we are focussed on attracting and retaining social workers through a dedicated ''bring heart'' campaign and microsite, and are developing an ambitious Assessed & Supported Year in Employment (ASYE) academy to grow our own given the national shortages of experienced Level 3 Social Workers, are recruiting international Social Workers and Students and are partnering with the University.

- We continue to review our approach to total rewards and development and include this as part of our wider attraction strategy, and have re-published our offer during September 2022 with staff and in recruitment. We have consulted on and implemented a recruitment and retention market supplement policy, and updated our relocation scheme to help attract and retain talent in hard to fill roles.

- Workforce planning is progressing in services, prioritising Legal, highways, transport, planning and social work, and a refresh and review of job evaluation and grading schemes is underway.

5. Further 2022/23 Governance Challenges

5.1 The Council has specifically recognised two further challenges that will be monitored through 2022/23 as outlined below;

5.1.1 Budget pressures

The Quarterly Budget Monitoring report to the July Executive and the Medium Term Financial Strategy report to the September Executive have both highlighted the significant financial impact of inflationary cost of living increases, which will impact both the Council budget position and the wider District as impacts are felt to individuals and businesses.

This is the current major significant factor that may impact future governance arrangements. The issue is subject to detailed and thorough discussions at Council Management Team and Joint Leadership Team as actions are sought to mitigate impacts where possible.

5.1.2 Procurement

The timeliness of procurement processes has necessitated the Council extending some contracts beyond their end dates rather than going out to competition beforehand. Applying extensions is a valid procurement route but may have sometimes been used as the preferred option rather than a fully considered option. The service is currently without a Head of Service following the former Head leaving, whilst there are also a number of senior vacancies within the service. A campaign is underway to appoint a new Head of Service and to attract candidates into the service to fill vacancies. Appointment of a new Head of Service in November 2022 is expected to drive improvement in compliance with existing procurement processes to secure contracts in advance. In the interim the engagement of consultancy experts to provide strategic advice, alongside an end-to-end procurement review will ensure the ongoing effectiveness of procurement processes.

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

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

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

WYPF Joint Advisory Group has overall responsibility for overseeing and monitoring the WYPF's pensions administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition, the Group approves the budget estimates for the pensions administration and investment management functions of WYPF, and also receives WYPF's Annual Report and Accounts.

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

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

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

- West Yorkshire Pension Fund has adopted the Council approved approach to risk management.
- Risk registers are maintained and management action plans (MAPs) are in place for risks assessed as requiring active management.

- Risks are monitored and MAPs reassessed regularly.
- A risk management report is submitted annually to the WYPF Investment Advisory Panel and Joint Advisory Group.

The risk register and operational results were reported to the Investment Advisory Panel and Joint Advisory Group on the 28 July 2022.

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 CBE, Chief Executive

Report of the Director of Finance & IT to the meeting of Governance and Audit Committee to be held on 23rd March 2023

AF

Subject:

Counter Fraud Framework

Summary statement:

The purpose of this report is to present a proposal to introduce a new Counter Fraud Framework from April 2023 and beyond

EQUALITY & DIVERSITY:

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

Christopher Kinsella
Director of Finance & IT

Report Contact: Tracey Banfield / Harry Singh
Head of Corporate Investigations, Information Governance and Complaints
Phone: 07582 101209 / 07582 102740
E-mail: tracey.banfield / harry.singh @bradford.gov.uk

Portfolio:
Leader of the Council & Corporate

1. SUMMARY

The purpose of this report is to propose the introduction of a new Counter Fraud framework for 2023 and beyond and to present any new and/or refreshed policies which are to be included in the framework.

2. BACKGROUND

The Council has maintained a “zero tolerance” approach to countering fraud and corruption, since November 1998, when the Council’s first anti-fraud policy, strategy and sanctions policy were introduced and a dedicated investigation team was created.

Since then the Council has continuously demonstrated that it has robustly tackled fraud and corruption, however, in more recent times the fraud landscape has begun to change and the Council therefore needs to review its counter fraud approach and make any necessary changes to meet this challenging and rapidly changing environment.

Key to ensuring this step change is that all anti-fraud and corruption policies, strategies and plans are reviewed to ensure that they represent a comprehensive and effective Council response to countering fraud and corruption.

Recently a number of Council’s have chosen to implement a best practice Counter Fraud framework approach to countering fraud and corruption. The benefits of this are that no single policy, strategy or plan is viewed in isolation and any required actions can consider the whole framework and reviewing of the framework is carried out consistently across all interrelated polices, strategies and plans.

3. OTHER CONSIDERATIONS

It is proposed that the Council introduce a Counter Fraud framework which would involve **6** interrelated Council policies, strategies and plans, setting out the Council’s collective intentions in respect of fraud and corruption, being brought together under a single framework.

In order to comply with this approach, the following policies, strategies and plans have recently been subject to a refresh as follows; -

- **Counter Fraud Policy** *(Appendix 1)*
  This policy sets out the Council’s high level commitment to combatting fraud and corruption and the recent refresh introduces the definitions of fraud, corruption and theft.

- **Counter Fraud Strategy** *(Appendix 2)*
  This sets out the Council’s approach to combatting fraud and corruption and the recent refresh introduces the key priorities for the next two financial years using a strategic approach as recommended for Local Government in its Strategy “Fighting Fraud Locally – a strategy for the 2020’s” where 5 main activity pillars – govern; acknowledge; prevent; pursue and protect are supported by 6 themes (“the 6 C’s”) i.e. culture; capability; capacity; competence; communication and collaboration. It is

intended that progress against the key priorities, outlined in this strategy, will be included in the Annual Corporate Investigations performance report which is presented at CMT and Governance & Audit Committee.

- **Counter Fraud Sanctions Policy** (*Appendix 3*)

This policy sets out how the Council will apply sanctions and/or pursue criminal action, through the Courts, against those who commit offences of fraud and/or corruption. The policy commits to ensuring that sanctions will be applied in a fair and consistent manner and that the sanction decision making process is stringent, robust and transparent. The recent refresh has introduced minimal changes to format only.

The remaining 2 policies, and 1 plan, whilst new for 2023, do reflect the actions the Council is currently taking, however having dedicated written documents only further supports and demonstrates the Council's robust response to allegations of fraud and corruption.

- **Counter Fraud Response Plan** *(Appendix 4*)

This plan is new for 2023 and details; -
  - the most common types of fraud, corruption and theft likely to be committed against the Council
  - the responsibilities of all stakeholders e.g. CMT, GAC, Managers, Employees etc.
  - how and when a council employee, elected member and/or the general public should report any concerns of fraud, corruption or theft being committed against the Council, including contact details and tips of what to do and not to do when fraud or corruption is suspected.
  - the investigation process

- **Anti-Bribery Policy** (*Appendix 5)*

This policy sets out the Council's stance in relation to the criminal offence of bribery, either directly between two parties or using a third party as a conduit to channel bribes to others.

The policy confirms that the Council **does not**, and **will not**, pay bribes or offer an improper inducement to anyone for any purpose, nor does it or will it, accept bribes or improper inducements or engage indirectly in or otherwise encourage bribery.

- **Anti-Money Laundering Policy** (*Appendix 6*)

This policy sets out the procedures which must be followed where money laundering is suspected within the Council. Money laundering is defined as the illegal process of making large amounts of money, generated by criminal activity, appear to have come from a legitimate source.

The policy enables Council employees and elected members to respond to a concern about money laundering which may arise within the course of their Council duties and gives details about the Council's Money Laundering Reporting Officer (MLRO), to whom all suspicions of money laundering should be directed.

If approval for the counter fraud framework is given then this will be communicated, as a single document on the Council's internal and external websites.

4. FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

The review, refresh and creation of the policies, strategies and plans making up the Counter Fraud Framework are intended to strengthen the Council's response and minimise risk.

6. LEGAL APPRAISAL

All refreshed and new policies, strategies and plans have been circulated to Legal Services for review.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

None.

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.

7.5 TRADE UNION

None.

7.6 WARD IMPLICATIONS

None.

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 ASSESEMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A.

10. RECOMMENDATIONS

That Committee approves the proposed new Counter Fraud framework and accompanying policies, strategies and plans to enhance the Council's response to fraud and corruption.

11. APPENDICES

Appendix 1 – Counter Fraud Policy
Appendix 2 – Counter Fraud Strategy
Appendix 3 – Counter Fraud Sanctions Policy
Appendix 4 – Counter Fraud Response Plan
Appendix 5 – Anti-Bribery Policy
Appendix 6 – Anti-Money Laundering Policy

12. BACKGROUND DOCUMENTS

None

Counter Fraud Policy

City of Bradford Metropolitan District Council

The City of Bradford Metropolitan District Council ("The Council") is wholly opposed to all forms of fraud and corruption, both from within the Council and/or from external sources, as this is bad for the economy and can adversely impact on the provision of public services for the people and communities of Bradford District.

The Council will not tolerate dishonesty on the part of any of the members or officers of the Council or any persons or organisations involved in any way with the Council and expects members and officers of the Council to demonstrate compliance with the Seven Principles of Public Life (*the Nolan principles*), appropriate legislation, Council Member and Employee Codes of Conduct, Standing Orders, Financial Regulations, conditions of service, standards of appropriate professional bodies, and any other standards, guidelines or instructions which are relevant to the particular service or activity.

The Council is committed to; -

- Ensuring that the people and communities of Bradford District have complete confidence that the affairs of the Council are conducted in accordance with the highest standards of probity, honesty, integrity and accountability.
- Maintaining an anti-fraud culture which reinforces the Council's zero tolerance to fraud and corruption.
- Combating fraud and corruption, in relation to any of the Council's activities or services and involving any members or officers of the Council, members of the public or other third parties.
- Maintaining arrangements which enable employees, or the people and communities of Bradford District to report suspicions of fraud and corruption without fear, repercussions or intimidation and in the knowledge that the information will be treated confidentially and will be investigated fully and rigorously.
- Taking timely and appropriate action against the perpetrators ensuring consistency, fairness and objectivity and compliance with appropriate legislation and Council policy.
- Working constructively with any enforcement agency either within the Council or within the wider community.
- Widely publicising the Council's stance on anti-fraud and corruption
- Ensuring that all employees and members of the Council are made aware of this policy and receive mandatory awareness training on at least a bi-annual basis.

Fraud
A deception which is deliberate and intended to provide a direct or indirect personal gain. The term "fraud" can include criminal deception, forgery, blackmail, corruption, theft, conspiracy or the covering up of material facts and collusion. By using deception, a fraudster can obtain an advantage, avoid an obligation or cause loss to another party.

Corruption
The deliberate misuse of an official position for direct or indirect personal gain. "Corruption" includes offering, giving, requesting or accepting a bribe or reward, which influences your actions or the actions of someone else.

Theft
Where someone steals cash or other property. A person is guilty of "theft" if they dishonestly take property belonging to someone else and has no intention of returning it.

Counter Fraud Strategy 2023 to 2025

City of Bradford Metropolitan District Council

1.0 Introduction

The City of Bradford Metropolitan District Council ("the Council") recognises the potentially significant risk that fraud and corruption pose to the achievement of the Council's aims and objectives and the adverse impact it can have on the provision of public services for the people and communities of Bradford District.

The Council's Counter Fraud Policy commits to; -

- *Ensuring the people and communities of Bradford District have complete confidence that the Council's affairs are conducted in accordance with the highest standards of probity, honesty, integrity and accountability.*
- *A zero tolerance to fraud and corruption.*
- *Combating fraud and corruption wherever it may arise in relation to any of the Council's activities or services*

This Counter Fraud Strategy sets out the Council's approach to combatting fraud and corruption over the next two financial years.

2.0 The Strategic Approach

The Council is committed to minimising fraud and corruption through a strategic approach consistent with that outlined in the Local Government Fraud Strategy 'Fighting Fraud Locally – a strategy for the 2020's', the principles of which are summarised below as the 5 key pillars of activity and 6 themes; -

The Pillars

Govern	**Acknowledge**	**Prevent**	**Pursue**
The Council will; - *Develop robust arrangements and Council wide support to ensure anti-fraud, bribery and corruption measures are embedded throughout the Council.*	***The Council will; -*** *Access and understand the fraud risks and ensure that they are communicated to the Corporate Management Team and appropriate Member Committee.* *Commit the appropriate support and resources to tackling fraud and corruption demonstrating a robust anti-fraud response.*	***The Council will; -*** *Make the best use of information and technology; enhance fraud controls and processes and maintain an effective anti-fraud culture.* *Communicate performance and activity successes.*	***The Council will; -*** *Prioritise fraud recovery and use of civil sanctions.* *Develop capability and capacity to punish offenders.* *Collaborate across geographical and sectoral boundaries.* *Learn lessons and close the gaps.*

Protect	The Council will; - *Recognise the harm that fraud can cause to the people and communities of the Bradford District and protect them from fraud.*

The Themes

Culture

The Council will create a culture where fraud and corruption are unacceptable

Capability

The Council will assess the full range of fraud risks ensuring that the range of counter fraud measures deployed is appropriate.

Capacity

The Council will deploy the appropriate resources to deal with the level of risk identified.

Competence

The Council will ensure that resources employed on tackling the full range of counter fraud and corruption activity have the appropriate skills and competence.

Communication

The Council will raise awareness internally and externally, deterring fraudsters; sharing information and celebrating successes

Collaboration

The Council will work together across internal and external boundaries e.g. with colleagues, other Local Authorities and other Agencies sharing resources, skills, learning, best practice,

Key Priorities for the financial years 2023-2025

Govern
Introduce regular fraud awareness briefings for Departmental Management Teams (DMT).
Refresh the existing mandatory fraud awareness learning for all Council staff and Elected Members.
Implement a Counter Fraud Framework where all fraud policies and procedures are refreshed and renewed.
Consider any new arrangements required for the Bradford Children & Families Trust

Acknowledge
Develop a detailed fraud risk assessment in conjunction with DMT's
Review available Counter Fraud resources to ensure they are being utilised to maximum effect

Prevent
Improve publicity – refreshing information on internal and external websites, ensuring regular communication of fraud risks and improved use of social media
Develop /enhance relationship's with Enforcement Partners and Local Authority neighbours
Improve and formalise internal control work with Internal Audit
Consider innovative projects around Data Sharing e.g., NFI Fraud Hub (Hertfordshire)
Review the benefits of fraud forums and benchmarking groups

Pursue
Develop a targeted proactive programme of activity based on risk as identified
Consider how best to prioritise fraud recovery
Develop a programme of closer working e.g. with DWP, Police etc.

Protect
Develop a fraud response plan which provides guidance to employees, managers and the public, defining responsibilities for action in the event of suspected fraud.

Review Date - January 2025

Counter Fraud Sanctions Policy

City of Bradford Metropolitan District Council

1.0 Introduction

The Council's Counter Fraud Policy commits to; -

- *Ensuring the people and communities of Bradford District have complete confidence that the Council's affairs are conducted in accordance with the highest standards of probity, honesty, integrity and accountability.*
- *A zero tolerance to fraud and corruption.*
- *Combating fraud and corruption wherever it may arise in relation to any of the Council's activities or services*
- *Where fraud or corruption is detected rigorously pursuing appropriate action against the perpetrators ensuring consistency, fairness and objectivity and compliance with appropriate legislation and Council policy.*

The Council's Counter Fraud Strategy for the financial years 2023 to 2025, commits to *demonstrating a robust anti fraud response and developing capability and capacity to punish offenders.*

This Counter Fraud Sanction policy, therefore, sets out how the Council will apply sanctions and/or pursue criminal action, through the Courts, against those who commit offences of fraud, corruption, theft or other financial irregularity against the Council.

The objectives of this policy are to ensure that sanctions are applied in a fair and consistent manner and that the sanction decision making process is stringent, robust and transparent.

The principles of the policy will apply equally to any fraud corruption, theft or other financial irregularity against the Council or against funds for which the Council has responsibility.

2.0 General Policy Principles

Where fraud, corruption, theft or other financial irregularity is suspected then the Council will take immediate action to thoroughly investigate and if proven will apply the appropriate sanction, which may include a prosecution through the Criminal Courts.

Any case that is subject to investigation is considered on its own merits, having regard to all the facts, before an appropriate sanction is administered.

All investigations into fraud, corruption, theft or other financial irregularity will be undertaken by the Council's Corporate Investigations Unit (CIU), within the Department of Corporate Resources and will be in accordance with relevant legislation, Council Policy and advice and guidance from the Council's Legal Services and, where appropriate, Human Resources.

All Corporate Investigators will be fully trained in undertaking criminal investigations into allegations of fraud, corruption, theft or other financial irregularity and will possess an appropriate Counter Fraud qualification. They will conduct investigations in a professional manner, ensuring that policy and legislation and approved working methods are correctly applied. They will consider each investigation on its own merits and will not let political or personal views about ethnic or national origin, sex, religious beliefs, or the sexual orientation of the suspect, victim or witness influence their actions and will not be affected by improper or undue pressure from any source.

The Council will work with the Police and any other Government enforcement bodies as is appropriate

3.0 Financial Investigation

Financial Investigation is an important tool in the fight against crime and it can provide valuable new avenues for investigations by forensically analysing the finances that relate to criminal activity.

The Proceeds of Crime Act (POCA) 2002 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.

4.0 Sanction Recommendations, Approvals and Authorisations

Relevant Officers, exercising delegated authority given by the Council's Section 151 Officer will recommend, approve and authorise the commencement of criminal proceedings and/or applications for confiscation and /or restraint orders under POCA, or apply "alternative to prosecution" sanctions.

5.0 Role of the Council's Legal Services

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.

In addition to the above the Council has a general power, under section 222 of the 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".

The Council's Legal Services team will ensure that prosecution proceedings will only be issued after having due regard to the CPS Code of Practice 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 of Practice 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.

6.0 Role of Internal Audit

The CIU will work closely with the Internal Audit Service (IAS), to ensure that, where an irregularity or fraud occurs, the appropriate controls are in place, weaknesses are identified and recommendations made to improve the Council's control environment.

7.0 Sanction application

The Council has a range of sanctions that can be applied to those who commit offences of fraud corruption, theft or other financial irregularity. These include formal cautions or financial penalties, criminal proceedings in a Court and/or disciplinary action, where a Council employee has committed the offence.

The Council will, in certain circumstances, take more than one form of action. For example, where an employee has committed offences of fraud, corruption, theft or other financial irregularity then disciplinary, criminal prosecution and civil recovery action may be appropriate, however the sanction decision will consider every case on its own merits, taking into account factors, such as a person's physical and mental health, their age, financial circumstances and, in considering prosecution as a first option, whether it is in the public interest in addition to assessing the overall impact of the punishment to both the individual and the community.

It should be noted that this Sanction Policy document does not cover disciplinary matters relating to Council employees. Such disciplinary matters fall under the Council's own disciplinary policy, "Fairness at Work".

To ensure a consistent and equitable application of sanctions, the Council will normally apply the following guidelines;

<table>
<tr><td colspan="2">
<u>Formal Caution</u>

This is an administrative sanction offered in certain circumstances, as an alternative to prosecution.

A Formal Caution is normally offered by way of a face to face interview at Council offices and if accepted then the person is admitting to the offence and will be required to sign the appropriate document(s) which will be retained by the Council.

Once a formal caution has been accepted then the Council will not institute criminal proceedings for that offence, however, should the person commit other subsequent similar offences against the Council then a prosecution may be considered as the first option for that subsequent offence.

Where a formal caution is not accepted or the person fails to respond to invitations to be offered such a sanction then the Council will consider instituting criminal proceedings.
</td></tr>
<tr><td>Offences of fraud, corruption or theft or other financial irregularity</td>
<td rowspan="2">The Council will normally only consider offering a formal caution when all of the following apply;

• The loss or potential loss to the Council is less than £5,000

• The offence has been admitted at an interview under caution.

• The offence has not been deliberate, planned or committed over a long period of time.</td></tr>
<tr><td>Offences relating to Council Tax</td></tr>
</table>

Reduction (CTR) Scheme	• The person has not committed any similar offences against the Council in the last 5 years. • The "Evidential Test" is satisfied (i.e. The Council considers there is sufficient evidence to provide a realistic prospect of conviction). Where the offence has not been admitted during an interview under caution, but all the other criteria have been met, a decision will be made in conjunction with the Council's Legal Services as to whether a formal caution is appropriate. Where the offence is subject to a financial penalty but this will cause severe hardship the Council can consider a formal caution as the first option.
Offences of wrongful use of a Disabled Persons badge	The Council will normally only consider offering a formal caution when **all** of the following apply; • The offence has been admitted at an interview under caution when reasonable mitigation has been offered and accepted. • The offence has not been deliberate, planned or committed over a long period of time • The person has not committed a similar offence in the last 5 years. • The "Evidential Test" is satisfied (i.e. The Council considers there is sufficient evidence to provide a realistic prospect of conviction).

Financial Penalty

This is a fine, offered in certain circumstances, as an alternative to prosecution. Where a fine is not accepted or the person fails to respond to invitations to be offered such a sanction, then the Council will consider instituting criminal proceedings

A fine is normally offered by way of a face to face interview at a Council building and if accepted then the person will be required to sign the appropriate document(s) which will be retained by the Council. A signed copy will be given to the person at the time of interview.

Once a fine has been accepted then the Council will not institute criminal proceedings for that offence, however, should the person commit other subsequent similar offences against the Council then a prosecution may be considered as the first option.

Offences of fraud, corruption, theft or other financial irregularity	The Council will not consider offering fines as an alternative to prosecution for this type of offence.
Offences relating to Council Tax Reduction (CTR) Scheme	The Council will normally only consider offering a financial penalty when **all** of the following apply; • The loss or potential loss to the Council is less than £5,000 • The offence has not been deliberate, planned or committed over a long period of time. • The person has not committed any similar offences against the Council in the last 5 years. • The "Evidential Test" is satisfied (i.e. The Council considers there is sufficient evidence to provide a realistic prospect of conviction). Where the Council considers applying a financial penalty, as a first option, and this would cause severe hardship then a formal caution will be considered. The financial penalty will be calculated based on 50% of the extra CTR received (rounded down to the nearest whole penny) with a minimum penalty of £100 and a maximum of £1000* * in accordance with the Local Government Finance Act 1992 (as amended by the Council Tax Reduction Schemes (Detection and Fraud Enforcement)(England)Regulations 2013)
Offences of wrongful use of a Disabled Persons badge	The Council will not consider offering fines as an alternative to prosecution for this type of offence.
<u>Prosecution</u>	
Offences of fraud, corruption, theft or other financial irregularity	The Council will normally only consider instituting criminal proceedings when **all** of the following apply; • The loss or potential loss to the Council exceeds £5,000. • The "Evidential Test" is satisfied (i.e. The Council considers there is sufficient evidence to provide a realistic prospect of conviction).

	• The Public Interest test is satisfied. (i.e. The Council has considered the public interest factors in determining whether to prosecute or consider an "alternative to prosecution"). Some exceptions to this are (not an exhaustive list); • A formal caution has been offered and refused. • There are known previous convictions for fraud related offences against the Council. • The offence has been deliberate, planned, committed over a long period of time or involved more than one person.
Offences relating to the Council Tax Reduction (CTR) Scheme	The Council will normally only consider instituting criminal proceedings when **all** of the following apply; • The loss or potential loss to the Council exceeds £5,000. • The "Evidential Test" is satisfied (i.e. The Council considers there is sufficient evidence to provide a realistic prospect of conviction) • The Public Interest test is satisfied. (i.e. The Council has considered the public interest factors in determining whether to prosecute or consider an "alternative to prosecution"). Some exceptions to this are (not an exhaustive list); • A formal caution or fine has been offered and refused • There are known previous convictions for Council Tax related offences • The offence has been deliberate, planned, committed over a long period of time or involved more than one person.
Offences of wrongful use of a Disabled Persons badge	The Council will normally only consider instituting criminal proceedings as a first option when **all** of the following apply; • The offence has not been admitted at an interview under caution **or** the mitigation offered has not been accepted by the Council. • The "Evidential Test" is satisfied (i.e. The Council considers there is sufficient evidence to provide a realistic prospect of conviction). • The Public Interest test is satisfied (i.e. The Council has considered the public interest factors in determining whether to prosecute or consider an "alternative to prosecution"). Some exceptions to this are (not an exhaustive list); • A formal caution has been refused • There are known previous convictions for Blue Badge related offences

	• The offence has been deliberate, planned, committed over a long period of time or involved more than one person.

8.0 Recovery of losses

Where the Council has suffered a financial loss arising from offences of fraud, corruption, theft or other financial irregularity including CTR offences then it will make vigorous attempts to recover the resultant loss, including taking action in the Civil Courts if necessary, in addition to any sanction that may be imposed in respect of that offence.

In cases where the loss to the Council is estimated to be in excess of £5,000 then the Council will consider instigating a financial investigation – see para 3.0.

9.0 Policy review

This policy will be reviewed every 3 years.

Reviewed by	Date	Notes	Next review
Head of Service – Corporate Investigations	26th October 2022	Minor changes to formatting and introduction content to align with new counter fraud framework.	**January 2025**

Counter Fraud Response Plan

City of Bradford Metropolitan District Council

1. Introduction

The Counter Fraud Response Plan, is a key document in the City of Bradford Metropolitan District Council's Counter Fraud framework. The plan sets out the most common types of fraud, corruption and theft, stakeholder responsibilities and the arrangements for employees of the Council and/or the people and communities of Bradford District to report any concerns of fraud, corruption or theft being committed against the Council.

2. Examples of fraud, corruption and theft

The most common types of fraud, corruption, theft committed against the Council can be grouped as follows:

2.1 Occupation / Employee

Recruitment – occurs, for example, when a job applicant inflates their credentials to apply for a position; provides a false employment history or provides false or misleading references

Financial statement – occurs, for example, when; -

- an employee or elected member provides false information to support an expenses claim;
- an employee works for another employer whilst receiving sick pay;
- an employee abuses the Councils flexitime or leave scheme;
- an employee or elected member deliberately manipulates or misreports other financial information,
- an employee or elected member deliberately fails to follow the Council's financial procedures for their own gain.

Asset misappropriation – occurs, for example, when

- an employee, elected member or 3rd party steals the Council's property (including cash or other assets)
- an employee purchases goods for personal use through council suppliers
- an employee uses Council equipment or assets for personal e.g. Council vehicles, stock, equipment, computers, mobile phones or internet access

2.2 Council Tax and Non Domestic Rates

Council Tax; Council Tax Reduction Scheme; Council Tax Single Person Discount
When someone who is liable to pay Council Tax deliberately gives false or misleading information so that they can pay less or no Council Tax.

Business Rates When a sole trader or a company deliberately gives false or misleading information so that they can pay lower or no business rates including stating that a property is no longer in use and therefore qualifies for a reduction in rates.

2.3 Disabled Parking (Blue Badge)

Misuse, abuse or defrauding the Blue Badge scheme is when someone

- Uses a badge which is no longer valid
- Uses a badge when the badge holder is deceased
- Uses a badge that has been forged or copied
- Uses a badge that has been reported lost or stolen
- Uses a valid badge belonging to a friend or relative for own personal use

2.4 Housing

Council or Social Housing - Tenancy Fraud

This occurs when someone deliberately gives false or misleading information when applying for a property, for example; -

- falsely claiming to have children;
- subletting a property without permission;
- living in a property after someone has died without the right to do so;
- key selling – where a resident is paid to pass on their keys in return for a one off payment;
- false right to buy/acquire.

2.5 Adult Social Care

Direct payment – occurs when, for example,

- payments are not spent on items detailed in the care plan;
- false claims for expenses and wages are made by carers;
- a disability or care need is exaggerated to receive support;

Savings and capital are not declared on a financial assessment

2.6 Procurement

This occurs when someone deliberately intends to influence any stage of the procure to pay life cycle in order to make a financial gain or cause a loss. This could be perpetrated by contractors or sub-contractors external to the Council and/or staff within the organisation.

2.7 Public Funding and Grant

This occurs when individuals, organisations or organised criminal groups claim public funding or grants that they are not eligible for.

<u>PLEASE NOTE</u> *The Council's Corporate Investigation Unit is unable to investigate suspicions relating to **Housing Benefit** or **Universal Credit** fraud and any suspicions should be reported to the Department for Work and Pensions (DWP) as follows; -*

https://www.gov.uk/report-benefit-fraud

*or call **0800 854 440***

3.0 Stakeholder Responsibilities

Chief Executive	• Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption
Monitoring Officer	• Advise Members and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice. • Maintain whistleblowing reporting arrangements
Section 151 Officer	• Develop and maintain the Counter Fraud Framework, supported and approved by the Governance and Audit Committee • Report significant matters of fraud or financial irregularity to the Head of Paid Service (Chief Executive), the Executive and the Governance and Audit Committee • Develop and implement the Counter Fraud Framework and ensure cases of suspected fraud reported are promptly investigated • Make recommendations to improve controls and reduce the risk of fraud in the future • Ensure that where fraud is found proportionate action is taken for sanctions and redress
Governance and Audit Committee	• Review the assessment of fraud risks and potential harm to the Council from fraud and corruption • Monitor the effectiveness of the Councils counter fraud measures including the Council's Corporate Investigations Unit • Promote high standards of conduct amongst Officers and Members
Members	• Support and promote the development of a strong counter fraud culture • Ensure fraud awareness learning is completed bi-annually
External Audit	• Subject to the concept of materiality, provides reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity.
All Directors and Heads Of Service	• Ensure that all counter fraud framework policies are adhered to

	• Assess the risk of fraud, corruption and theft in departmental and service areas • Reduce fraud risks by implementing strong internal controls • Ensure all suspected fraud or financial irregularity is reported in accordance with the Fraud Response Plan • Ensure all employees have taken the fraud awareness learning at least bi-annually.
All Managers	• Ensure that all counter fraud framework policies are adhered to • Ensure all suspected fraud or financial irregularity is reported in accordance with the Fraud Response Plan • Ensure all employees have taken the fraud awareness learning at least bi-annually. • Ensure, when undertaking an investigation under the Council's disciplinary procedures, that if the investigation involves potential fraud, corruption or theft, immediate contact must be made with the Corporate Investigation Unit, prior to the commencement of the investigation, to assess whether the nature of the allegations fall within the scope of the Fraud Response Plan. Managers should only proceed once this advice has been received (which may include an agreement on which issues should proceed and others which should not). This will ensure that, as far as possible, any evidence collected will not adversely impact any potential criminal investigation.
Human Resources Advisors & Business Partners	• Ensure that suspicions of fraud, corruption or theft are referred to the Corporate Investigation Unit at the earliest possible opportunity and certainly before any actions are instigated.
Public, Partners, Suppliers, Contractors and Consultants	• Be aware of the possibility of fraud and corruption against the Council and report any genuine concerns/suspicions in accordance with this plan

4.0 Reporting a concern

Where an employee, elected member, member of the public, contractor or other 3rd party suspects that fraud, corruption or theft is occurring then they should report their suspicions immediately as follows; -

	Council employees	**Elected Members**	**Member of the public, Contractor or other 3rd party**
Online referral via Bradnet	✓	✓	✗
On line fraud referral form via bradford.gov.uk	✓	✓	✓

In writing to: Corporate Investigations Unit (CIU), City of Bradford Metropolitan District Council, City Hall, Centenary Square, Bradford BD1 1HY	✓	✓	✓
email reportfraud@bradford.gov.uk	✓	✓	✓
Confidential hotline 01274 437511	✓	✓	✓
Speak directly to a member of the Corporate Investigations Unit (CIU)	✓	✓	✗
Speak directly to the Governance, Scrutiny and Members Support Manager or Monitoring Officer	✗	✓	✗
Speak directly to the Corporate Investigations Manager	✓	✓	✗

IMPORTANT

The employee or elected member reporting a suspicion of fraud, corruption, theft or any other financial irregularity, **should not**, under any circumstances, carry out their own investigation as this could result in a contravention of legislation and seriously compromise any criminal investigation. This includes, but is not limited to; -

- gathering evidence to support the suspicion;
- contacting the suspected perpetrator in an effort to determine facts and/or demand restitution;
- conducting interviews with the perpetrator and/or any witnesses;
- conducting surveillance.

Where the employee or elected member is any doubt about the follow up action they should take in relation to the suspicion, they should contact the Corporate Investigations Unit immediately.

5.0 Investigation process

The Corporate Investigations Unit (CIU) are responsible for investigating allegations of fraud, corruption, theft or any other financial irregularity for the Council.

Where an investigation is to be carried out by the CIU, the Assistant Director / Director of the Service will immediately be notified of the scope of the investigation.

Where the allegation is about an employee which, if proven, could constitute gross misconduct then this will be highlighted for the Assistant Director / Director of the Service so that they can consider the options e.g. suspension from duty.

All investigations will be carried out by appropriately trained investigators and conducted in accordance with the relevant Council policies, procedures and legislation and will always ensure the security, privacy and integrity of the evidence collected and that it is presented as appropriate for use at internal or external hearings and / or the Courts.

6.0 Conclusion of an investigation

On completion of a CIU investigation, a report will be prepared for the Assistant Director / Director of the Service detailing the investigation outcome and any evidence gathered to support the outcome.

Where the CIU investigation has a finding of fraud, theft, corruption or any other financial irregularity any required follow up action will be taken by the CIU, in accordance with the Council's sanction policy.

In addition, the report may contain recommendations for actions management need to take and this may include (*not an exhaustive list*); -

- Instigating a management investigation
- Improving identified weakness in system controls to reduce the risk of reoccurrence.

- Recovering any identified financial loss through the appropriate mechanism. Summary information about the incidence of fraud and corruption and the outcomes of investigations will be presented in the annual fraud report.

7.0 CIU performance reporting

A report on the performance of the CIU is presented to CMT and the Governance & Audit Committee on an annual basis. Additionally, reports are produced for Departments and Services on a quarterly basis to help them identify fraud patterns and trends allowing them to, where appropriate, address any weaknesses in service delivery.

8.0 Review

The Fraud Response Plan will be reviewed biannually.

Anti-Bribery Policy

City of Bradford Metropolitan District Council

What is Bribery?

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

The Bribery Act 2010
There are four key offences under the 2010 Bribery Act;
1. **Bribery of another person** (Section 1) makes it an offence to offer, promise or give a bribe
2. **Accepting a bribe** (Section 2) makes it an offence to request, agree to receive, or accept a bribe
3. **Bribing a foreign public official** (Section 6) makes it an offence with the intention of obtaining or retaining business or an advantage in the conduct of business
4. **Failing to prevent bribery** (Section 7) makes it a corporate offence where there is failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

Penalties
An individual guilty of an offence under sections 1, 2 or 6 of the Bribery Act 2010 is liable:
• On conviction in a Magistrates Court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both
• On conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

Public contracts and failure to prevent bribery
Under the Public Contracts Regulations 2015 contracting authorities shall exclude a supplier from participation in a procurement procedure where they have established that supplier has been convicted of certain offences, including bribery.

Scope of this policy

The responsibility for minimising the risk of bribery occurring resides at **all** levels of the Council, in **all** Departments and **all** Services.

This policy therefore applies to **all** Council employees including those permanently employed, those employed on a casual or temporary contract, temporary agency staff, contractors, non-executives, agents, Members, volunteers and consultants.

This policy applies to **all** of the Council's activities and the Council will seek to promote the adoption of policies consistent with the principles set out in this policy for partners, joint ventures and suppliers.

Anti-Bribery Policy Statement

This Statement sets out Bradford Metropolitan District Council's policy in relation to bribery and is supplementary to the Council's wider Counter Fraud Policy & Strategy.

The Council takes its responsibilities to protect the public purse very seriously and is fully committed to the highest ethical standards, in order to ensure the proper use and protection of public funds and assets.

The Council recognises that bribery, either directly between two parties or using a third party as a conduit to channel bribes to others, is a criminal offence.

The Council **does not**, and **will not**, pay bribes or offer an improper inducement to anyone for any purpose, nor does it or will it, accept bribes or improper inducements or engage indirectly in or otherwise encourage bribery.

As detailed in the Council's Counter Fraud Policy & Strategy, *the Council is wholly opposed to all forms of fraud, theft, corruption (including bribery) and any other financial irregularity both from within the Council and from external sources as this is bad for the economy and can adversely impact on the provision of public services for the citizens of Bradford*.

The Council therefore, advocates **strict adherence** to its anti-fraud framework and associated policies and, has a **zero tolerance approach** requiring that **all** Council employees, councillors, suppliers, contractors, partners or service users act honestly and with integrity at all times and **do not** become involved in paying or accepting bribes or other improper inducements.

The Council will take all necessary steps to investigate and pursue appropriate sanctions available in each case, in accordance with the Council's Corporate Fraud Sanctions Policy and/or the Member' and Employee Codes of Conduct. Sanctions could include prosecution in the Criminal Courts; removal from office; disciplinary action; dismissal; loss recovery and/or referral to the Police and/or other agencies.

The Council will ensure that all parties covered in the "scope" section of this policy;-

1. Understand what constitutes bribery and what their responsibilities are.

2. Have read and understood this policy and adhere strictly to it at all times.

3. Are suitably trained, to recognise and avoid occurrences of becoming personally involved in allegations of bribery and to recognise when others may be involved.

4. Remain vigilant and report any suspicions of bribery to their Assistant Director and the Corporate Investigations Unit as soon as possible.

5. Know that they should treat any offer of a gift or hospitality (either to them personally or their family members) with extreme caution and to always report it to their line manager. (*The context is very important when deciding whether or not to accept an offer of a gift, and any offer from an organisation seeking to do business with or provide services to the Council or in the process of applying for permission or some other decision from the Council is unlikely ever to be acceptable, regardless of the value of the gift*).

6. **Do not**;-
    - Give or promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given.
    - Give or promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure.
    - Accept payment from a third party where it is known or suspected that it is offered with the expectation that it will obtain a business advantage for them
    - Accept a gift or hospitality from a third party where it is known or suspected that it is offered or provided with an expectation that a business advantage will be provided by the Council in return
    - Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
    - Engage in activity in breach of this policy.

7. Understand that breaches of this policy could constitute “Gross Misconduct” and result in disciplinary action being taken, including and up to dismissal.

Anti-Money Laundering Policy

City of Bradford Metropolitan District Council

1.0 Introduction

The City of Bradford Metropolitan District Council ("The Council") is committed to the highest standards of openness, probity and accountability and has put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The aim of this policy is to set out the procedures which must be followed where money laundering is suspected within the Council.

2.0 Definition of Money Laundering

Money laundering is the illegal process of making large amounts of money, generated by criminal activity, appear to have come from a legitimate source.

The Proceeds of Crime Act (POCA) 2002 makes it an offence to; -

- conceal, disguise, convert, transfer or remove *criminal property from the UK **and/or**
- enter into or become concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of *criminal property by or on behalf of another person **and/or**
- acquire, use or have possession of *criminal property

**criminal property is defined in the Act as money, all forms of real estate or property, things in action and other intangible or incorporeal property*

These primary offences carry a maximum penalty of 14 years' imprisonment and/or an unlimited fine.

3.0 Scope of the Policy

This policy applies to all Council employees, whether permanent or temporary, and Members of the Council. Its aim is to enable Council employees and Members to respond to a concern which may arise within the course of their Council duties. Any concern, relating to a matter outside the Council, should be referred directly to the Police.

4.0 Council obligations

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations, there is the risk of reputational and/or financial loss. Guidance from the Chartered Institute of Public Finance and Accounting (CIPFA) suggests that public service organisations should comply with the underlying spirit of the legislation and regulations and as such the Council is committed to ensuring compliance as follows:

- To appoint a money laundering reporting officer ("MLRO") to whom any suspicions of money laundering activity can be reported
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain client identification procedures in certain circumstances
- Maintain record keeping procedures

5.0 The Money Laundering Reporting Officer (MLRO)

This is the Director of Finance (Section 151 Officer) who has the ability to act upon reported cases. The deputy MLRO is the Head of Corporate Investigations, Information Governance & Complaints and the Head of Internal Audit.

6.0 Reporting Procedure for Suspicions of Money Laundering

Where money laundering activity is suspected of taking/has taken place, this must be disclosed as soon as practicable to the MLRO using the disclosure report, attached at Appendix 1 to this policy. The disclosure report must include as much detail as possible including; -

- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved
- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent
- Where they took place
- How they were undertaken
- The (likely) amount of money/assets involved
- The reasons for the suspicions.
- Any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable a report to the National Crime Agency (NCA), where appropriate, to be prepared.

Copies of any relevant supporting documentation must also be provided to the MLRO.

Once matter has been reported to the MLRO all subsequent directions from the MLRO must be followed no further enquiries into the matter should be made as any necessary investigation will be undertaken by the NCA.

All Council employees will be required to co-operate with the MLRO and any other bodies, as directed, during any subsequent money laundering investigation.

At no time and under no circumstances should suspicions be voiced to the person(s) suspected of money laundering, or reference made on any client file without the specific consent of the MLRO. Alerting an individual to the fact that a referral has been made or making reference to this on a client file, which the client may subsequently exercise their right to see, could result in the Council employee committing of an offence known as “tipping off”.

The MLRO will keep the appropriate records in a confidential manner.

7.0 Consideration of the disclosure by the Money Laundering Reporting Officer

Upon receipt of a disclosure report, the MLRO will note the date of receipt on the appropriate section of the report and acknowledge receipt of it within 3 working days.

The MLRO will consider the report and any other available internal information they think relevant, including undertaking other reasonable inquiries, to ensure that all available information is taken into account in deciding whether a report to the NCA is required.

Once the MLRO has evaluated the disclosure report and any other relevant information, they will make a timely determination as to whether; -

- there is actual or suspected money laundering taking place; **or**
- there are reasonable grounds to know or suspect that is the case; **and**
- whether they need to seek consent (in liaison with the Head of Corporate Investigations, Information Governance & Complaints) from the NCA for a particular transaction to proceed.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they will mark the report accordingly and give consent for any ongoing or imminent transaction(s) to proceed.

All disclosure reports referred to the MLRO and reports made by them to the NCA will be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

8.0 Policy Review

This policy will be reviewed bi-annually - **Review Date - January 2025**

Appendix 1

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICER RE: SUSPECTED MONEY LAUNDERING ACTIVITY

To: Money Laundering Reporting Officer (MLRO)

From: ……………………………………… [Name of employee]

Department: ……………………………………… [Post title and Service Area]

Ext / Tel No: ………………………………………

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved: [If a company / public body please include details of nature of business]

Nature, value and timing of activity involved: [Please include full details e.g. what, where, how].

Nature of suspicions regarding such activity:

Has any investigation been undertaken (*as far as you are aware*)? Yes / No

If yes, please include details below:

Have you discussed your suspicions with anyone else? Yes / No

If yes, please provide details of who the discussions took place with and explain why such discussion was necessary:

Have you consulted any supervisory body for guidance? Yes / No
If yes, please specify below:

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Do you feel there is a reasonable justification for not disclosing the matter to the NCA?
Yes / No
If yes, please specify below:

Please set out below any other information you feel is relevant:

Please be aware that you should not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity, as to do so may constitute a tipping off offence, under the legislation, for which you could be prosecuted.

Signed: ……………………………………… Dated: ……………………………………

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director of Finance and IT to the meeting of the Governance and Audit Committee to be held on 23 March 2023

AG

Subject:

Review of the Effectiveness of the Governance and Audit Committee and consideration of the Appointment of Independent Members to the Governance and Audit Committee.

Summary statement:

This report is a review of the level of compliance by the Council's Governance and Audit Committee with the Chartered Institute of Public Finance and Accountancy 2022 position statement on Audit Committees in Local Authorities and the Police.

EQUALITY & DIVERSITY:

An effective Governance and Audit Committee provides assurance that the appropriate decision making processes and accountability arrangements are in place which allows Service Objectives to be delivered in accordance with the Council's equality policies.

Christopher Kinsella
Director of Finance and IT

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

Portfolio:

Corporate

Improvement Area:

Corporate

1 SUMMARY

1.1 This report provides a review of the level of compliance by the Council's Governance and Audit Committee (GAC) with the Chartered Institute of Public Finance and Accountancy (CIPFA) 2022 position statement on Audit Committees in Local Authorities and the Police**.** The report also covers the GAC's specific responsibilities in relation to the West Yorkshire Pension Fund (WYPF).

1.2 Whilst this report suggests a number of improvements, the 2022 position statement also recommends the appointment of independent members to the Audit Committee. This report also details the issues around the appointment of independent members.

2. BACKGROUND

2.1 In 2022 CIPFA updated its Position statement on Audit Committees in Local Authorities and the Police with supporting guidance. The position statement details the purpose of an Audit Committee, its independence, its objectivity and the powers an Audit Committee must have to fulfil its duties. The position statement identifies an Audit Committee's membership, characteristics, its engagements and outputs along with the impacts an Audit Committee is looking to achieve.

2.2 The core functions of an Audit Committee as set out in CIPFA's Position Statement are listed below.

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit

  - promote the effective use of internal audit within the assurance framework.
- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

2.3 The 2022 Position Statement is supported by further guidance which includes a self-assessment tool to establish the Council's compliance with the guidance. This has been completed by key officer stakeholders on behalf of the GAC. The five stakeholders were Internal Audit and Risk, Accountancy, Corporate Fraud Unit, the WYPF and Governance Scrutiny and Member Support. The assessment tool asks forty questions with a score of five for high compliance and one for no compliance. Not all the stakeholders were able to assess all the questions but the level of compliance assessed by each team was as follows:

Service	Percentage Compliance
Internal Audit and Risk	80%
Accountancy	80%
Corporate Fraud Unit	100%
WYPF	88%
Governance, Scrutiny and Member Support	79%

The average mark against each question is detailed in Appendix A.

2.4 The guidance also details the knowledge and skills Audit Committee members require in order to successfully fulfil the function. This is detailed in Appendix B. In addition, the Prudential Code for 2023-24 expects "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making."

3 OFFICER FEEDBACK OF BRADFORD COUNCIL'S GOVERNANCE AND AUDIT COMMITTEE

3.1 Overall the GAC performs its functions well, especially the technical aspects of the role including the examination of the accounts and management of the audit process. This level of compliance is also achieved for the WYPF which requires a member of the WYPF Committee to be on the GAC. However, there are areas where the GAC could implement changes to increase compliance. The most significant of these are listed below:

3.1.1 Undertake an annual evaluation to assess whether the GAC is fulfilling its terms of reference and that adequate consideration has been given to all core areas. This should include examining how it is adding value to the organisation

3.1.2 Appointment of an Independent Member/s

3.1.3 Assess GAC Members against the CIPFA core knowledge and skills framework.

3.1.4 Set up a process to obtain feedback on the GAC's performance from those interacting with the GAC or relying on its work

3.1.5 The GAC should publish an annual report to account for its performance and explain its work

3.2 External Audit was also consulted on the GAC's performance and compliance and they broadly shared the same view of the GAC's performance as the internal officer contribution.

4 WEST YORKSHIRE PENSION FUND (WYPF)

4.1 Bradford Council is the administering authority for the WYPF. The GAC fulfils its role for both the Council and WYPF. Technically it must discharge the functions contained in Part H of Schedule 1 of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (functions relating to local government pensions) and Part I, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group. The GAC must also manage external audit on behalf of the WYPF and agree the Statutory Accounts. This limits the time the GAC has to spend on the review of other areas which other Council's audit committees may look at. This is often in the area of analysing specific strategic risks.

4.2 The WYPF recognises the usefulness of the GAC as a decision making committee due to the continued need for the GAC to approve items which have either not progressed through the WYPF Joint Advisory Group or need approval in advance of the next meeting. Clearly, if the decision making powers of the GAC were withdrawn then they would move elsewhere, but any new decision making forum may not be as effective for the WYPF.

4.3 Most WYPF reports are purely for noting. The GAC is very good at listening and commending the good work of the WYPF.

4.4 Pensions and Investment experience on the GAC is limited. However currently the WYPF Chair who is also a member of GAC does have considerable pension governance knowledge. The level of knowledge and the scrutiny provided by the GAC membership appears good, however when pension decisions are to be made by the GAC then there is a reliance on WYPF officers providing balanced support and advice.

5. INDEPENDENT MEMBERS

5.1 CIPFA has recommended the appointment of at least two co-opted independent members to Audit Committees in England to provide appropriate technical expertise. Although there is no current legal requirement to do so, the government is considering making it a statutory requirement to include an independent member on audit committees. The GAC at present does not have an independent member. If it is decided to take this route the role will need to be advertised. Finding a suitable candidate may take time and whether the post holder would be paid an allowance would need to be considered. Any proposals to pay co-opted independent members an allowance or expenses would need to be considered by the Independent Remuneration Panel.

5.2 Generally the Local Government Act 1972 and the Local Government and Housing Act 1989 provides that co-opted members appointed to committees of the Council can only be non-voting members. There are a number of limited exceptions for example advisory committees where co-opted members can be given voting rights. In view of certain roles and functions of the GAC which could be said to be non-advisory for example approving the Statement of Accounts and the GAC's wider remit in particular its roles and functions in respect of West Yorkshire Pension Fund, if it is decided to appoint independent members to the GAC, it is recommended that they be non-voting independent members.

5.3 There are some potential pitfalls to the use of independent members that should also be borne in mind.

- Over-reliance on the independent members by other committee members can lead to a lack of engagement across the full committee.
- A lack of organisational knowledge or 'context' among the independent members when considering risk registers or audit reports.
- Both independent members and officers/staff must try to establish an effective working relationship and appropriate protocols for briefings and access to information.

5.4 A clear role description should be established which addresses the following areas:

- The role of the co-opted independent member, including expected time commitment and location of meetings.
- The suggested appointment period and options for renewal (two terms would be a suggested maximum appointment period).
- The definition of 'independent' applicable to the role.
- Any restrictions or conflicts of interest that would make a candidate unsuitable. As the role is non-political and requires working with elected representatives in a local authority, it is recommended that candidates should not be political party members.
- Vetting requirements.
- Desired knowledge, experience and skills.
- Payment of allowances and expenses if any.
- The expected conditions of engagement, including adherence to the authority's Members' code of conduct, disclosure of interests, etc.

5.5 Consideration needs to be given to attracting suitable candidates. Normal practice in recruitment for non-executive roles such as this will be a CV and supporting letter. Adopting this approach may assist in attracting candidates. The inclusion of the current GAC chair in this process would be essential and the opportunity to meet senior Councillors would emphasise the value of the GAC.

5.6 It must be noted that neighbouring Councils have had significant difficulty in recruiting to their independent member roles.

6. OTHER CONSIDERATIONS

6.1 Whilst the CIPFA code of compliance should be considered, the Council has the authority to determine its own arrangements for the maintenance of good governance. For each authority this will be dependent on specific local circumstances. For instance, whilst some items may be considered in one authority at the audit committee, at another the discussion may be at Overview and Scrutiny Committee. The workload of the GAC is extremely heavy with two sets of accounts and audit arrangements to monitor. Realistically taking a more in depth view of the Council's operations is not feasible on a systematic basis.

7. FINANCIAL & RESOURCE APPRAISAL

7.1 A number of the options available to the Council if adopted relate to working practices which have no financial affect. A number of options such as the appointment of independent members or further training may have costs attached but these will not be significant.

8. RISK MANAGEMENT AND GOVERNANCE ISSUES

8.1 The effective operation of the GAC is essential for the Council's management of risk.

9. LEGAL APPRAISAL

9.1 Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of its financial affairs.

9.2 The Accounts and Audit Regulations 2015 state that a local authority is responsible for "a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk". CIPFA states that Audit committees in local authorities are necessary to satisfy the wider requirements for sound financial management and internal control.

9.3 A person who is disqualified under the Local Government Act 1972 for being a member of the Local Authority is also disqualified for being a member of a committee of that authority

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9.4 The Local Authorities (Members' Allowances) (England) Regulations 2003 permit the Council to pay an allowance to a co-opted Member of a Committee. This would require the Members' Allowances Scheme to be amended to provide for this. The Scheme can only be amended by Full Council, which must have regard to a report from the Independent Remuneration Panel on such a proposal.

9.5 Section 102 (3) Local Government and Housing Act 1972 stipulates that a committee which discharges a function of the Council can include co-opted members except where it is a committee for regulating and controlling the finance of the local authority. Pursuant to Section 13 (1) of the Local Government and Housing Act 1989 a co-opted member of a committee established under Section 102 of the Local Government Act 1972 to discharge the functions of the Council must be a non-voting member. The Local Government and Housing Act 1989 provides a number of limited exceptions allowing a co-opted member to be given voting rights for example on certain advisory committees appointed under the Local Government Act 1972. If the independent members were to be given voting rights they could only vote on advisory recommendations and not items requiring a decision. In view of certain roles and functions of the GAC for example approving the Statement of Accounts and the GAC's wider remit in particular its roles and functions in respect of West Yorkshire Pension Fund, it is advisable that any co-opted independent members appointed to the GAC be non-voting.

10. OTHER IMPLICATIONS

10.1 SUSTAINABILITY IMPLICATIONS

- The operation of an effective GAC ensures the Council's decision making complies with the principles of delivering good governance which includes the Council being able to deliver defined outcomes on a sustainable basis within the resources available.

10.2 GREENHOUSE GAS EMISSIONS IMPACTS

- There are no direct impacts on Greenhouse Gas Emissions

10.3 COMMUNITY SAFETY IMPLICATIONS

- There are no direct community safety implications.

10.4 HUMAN RIGHTS ACT

- There are no direct Human Rights Act implications.

10.5 TRADE UNION

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

10.6 WARD IMPLICATIONS

- Specific Ward Issues are not normally areas of discussion for the GAC whose responsibilities are on a Council wide basis.

10.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None

10.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

11. NOT FOR PUBLICATION DOCUMENTS

None

12. OPTIONS

12.1 Option 1

To agree to the following in order to achieve full compliance with the CIPFA guidance:

12.1.1 An annual evaluation to be undertaken to assess whether the GAC is fulfilling its terms of reference and that adequate consideration has been given to all core areas. This should include examining how GAC is adding value to the organisation

12.1.2 To assess the membership of the GAC against the core knowledge and skills framework to ensure it is satisfactory.

12.1.3 That the GAC set up a process to obtain feedback on its performance from those interacting with the committee or relying on its work

12.1.4 That the GAC publish an annual report to account for its performance and explain its work

12.1.5 To recommend to Council that Article 9 of the Council's constitution be amended so that the composition of GAC includes 2 non-voting co-opted independent members, subject to a recruitment process. It is also recommended to Council that the recruitment process of the independent members be delegated to the Director of Finance and IT in consultation with the Chair of Governance and Audit Committee.

12.2 Option 2

12.2.1 To agree to some but not all of the matters set out in 12.1.1 to 12.1.5 above.

13. RECOMMENDATIONS

13.1 That the GAC agree to implement the options detailed in paragraphs 12.1.1 to 12.1.4 of this Report.

13.2 That the GAC recommend to Council that Article 9 of the Council's constitution be amended so that the composition of GAC includes 2 non-voting Independent Members, subject to a recruitment process.

13.3 That the GAC recommend to Council that the recruitment process of the Independent Members be delegated to the Director of Finance and IT in consultation with the Chair of Governance and Audit Committee.

14. APPENDICES

- Appendix A: Officer Assessment of Bradford Governance and Audit Committee compliance against CIPFA's Position Statement Audit Committee in Local Authorities and Police 2022

Appendix B: Audit Committee Members Knowledge and Skills Framework

15. BACKGROUND DOCUMENTS

- CIPFA’s Position Statement: Audit Committees in Local Authorities and Police 2022
- Audit committees Practical Guidance for Local Authorities and Police 2022 Edition. CIPFA
- Council Constitution Article 9 Governance and Audit Committee

Appendix A

Officer Assessment of Bradford Governance and Audit Committee compliance against CIPFA's Position Statement Audit Committee in Local Authorities and Police 2022

No	Key Question	Categorisation	Score	Reason for Assessment and Possible Further Action
	Audit committee purpose and governance			
1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	No Further Improvement	**4.2**	The Governance and Audit Committee (GAC) role as determined by the Constitution is not combined with other functions. The Council has a separate Standards Committee and the Overview and Scrutiny Function is separate including a Corporate Scrutiny Committee. It does have functions in respect of WYPF and community governance reviews.
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	No Further Improvement	**5.0**	The GAC reports directly to Council
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	No Further Improvement	**4.3**	THE GAC generally refers its recommendations to Council as the decision making authority
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	Moderate Improvement	**3.3**	The GAC had assessed its compliance with the previous 2018 guidance but this assessment process needs to be completed for the 2022 position statement.
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Minor Improvement	**4.0**	Council Management Team and Council have an overall understanding of the GAC's purpose. The GAC has been in existence for many years and its role very stable. There would be merit in reiterating the position to interested parties.
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	Moderate Improvement	**3.8**	The GAC can escalate matters to the Council. This has not been required recently. It could be helpful to clarify how issues are escalated and the options available to the GAC

7	Does the governing body hold the audit committee to account for its performance at least annually?	Moderate Improvement	**3.0**	There is no formal performance report issued by the GAC for consideration by Council.
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:			
	• compliance with the CIPFA Position Statement 2022	Moderate Improvement	**3.0**	There is no formal performance report issued by the GAC for consideration by Council.
	• results of the annual evaluation, development work undertaken and planned improvements	Moderate Improvement	**3.0**	There is no formal performance report issued by the GAC for consideration by Council.
	• how it has fulfilled its terms of reference and the key issues escalated in the year?	Moderate Improvement	**3.0**	There is no formal performance report issued by the GAC for consideration by Council.
	Functions of the Committee			
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?			
	Governance arrangements	No Further Improvement	**5.0**	Included in the Constitution Article 9
	Risk management arrangements	No Further Improvement	**4.5**	Included in the Constitution Article 9
	Internal control arrangements, including:• financial management value for money• ethics and standards• counter fraud and corruption	No Further Improvement	**4.6**	Included in the Constitution Article 9
	Annual governance statement	No Further Improvement	**5.0**	Included in the Constitution Article 9
	Financial reporting	No Further Improvement	**4.0**	Included in the Constitution Article 9
	Assurance framework	No Further Improvement	**4.3**	Included in the Constitution Article 9
	Internal audit	No Further Improvement	**4.5**	Included in the Constitution Article 9
	External audit	No Further Improvement	**4.3**	Included in the Constitution Article 9
10	Over the last year, has adequate consideration been given to all core areas?	No Further Improvement	**4.3**	The key areas of the Committees responsibility have all been covered within the agenda or the Forward Plan
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	No Further Improvement	**5.0**	The GAC has focused on its core functions over the last three years
12	Has the committee met privately with the external auditors and head of internal audit in the last year?	Minor Improvement	**4.0**	The GAC has not met privately with either external or Internal Audit however the Chair has met

				privately through the normal consideration of business. If there was a requirement for a private broader meeting this would be facilitated.
	Membership and Support			
13	Has the committee been established in accordance with the 2022 guidance as follows?			
	• Separation from executive	No Further Improvement	**5.0**	There are no members of the Executive on the GAC. Article 9 provides that either the Chair or Deputy Chair shall not be a member of Executive.
	• A size that is not unwieldy and avoids use of substitutes	No Further Improvement	**5.0**	The current size of five permanent members is within CIPFA's guidance for effective committees.
	• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	Significant Improvement	**2.3**	There are no lay members of the GAC though there is no statutory requirement for the GAC to do so.
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	Moderate Improvement	**3.0**	All the GAC members are experienced Councillors with several members having a wide knowledge and understanding of other Committees. One Councillor is also a member of the Joint Committee for the West Yorkshire Pension Fund. However there has been no formal assessment of the current GAC's skill set.
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	Significant Improvement	**2.3**	There has been no recent evaluation of the knowledge and skills of members to complete their roles. Training has been made available on specific tasks
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	Moderate Improvement	**3.0**	Training has been made available on specific responsibilities such as the Accounts and Treasury Management. There is also the generic training made available to all Councillors including induction. The 2022 Guidance has only recently been issued so there has been no opportunity to update members. This report should help facilitate members understanding.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	Moderate Improvement	**3.5**	The 2022 Guidance has only recently been issued so no opportunity to update members.

				This report should help facilitate members understanding.
18	Is adequate secretariat and administrative support provided to the committee?	No Further Improvement	**4.6**	Current Secretariat and administrative support is available to the Committee. The GAC administration is effective with the punctual production of reports with Committees held in accordance with the timetable and forward plan.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	No Further Improvement	**4.6**	The GAC maintains professional relationship with all Senior Officers, Councillors, Internal and External Audit. A small improvement would be wider attendance at GAC meetings from Senior Officers.
	Effectiveness of the committee			
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	Minor Improvement	**4.0**	There has been no negative feedback including the key stakeholder which is External Audit. However this has not been confirmed through formal consultation.
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	No Further Improvement	**4.8**	The GAC is chaired professionally with the business of the GAC being well managed and the arguments focused on the key requirements
22	Are meetings effective with a good level of discussion and engagement from all the members?	No Further Improvement	**4.6**	There is strong and relevant discussions held on all the items. Further training may facilitate an increased level of engagement on the highly technical matters discussed by the GAC
23	Has the committee maintained a non-political approach to discussions throughout?	No Further Improvement	**4.5**	The GAC is a non partisan committee and political issues are not discussed.
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	No Further Improvement	**4.6**	On some occasions in relation to follow up recommendations or key governance issues the GAC could benefit from Senior Management being present for the item.
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	No Further Improvement	**4.6**	The GAC does make recommendations for the improvement of governance, risk and control arrangements as required. The GAC could take a more proactive approach to Risk Management if it could find

				additional time to consider this area.
26	Do audit committee recommendations have traction with those in leadership roles?	No Further Improvement	**4.2**	The GAC is respected across the Council and the GAC has been a key driver of ensuring both internal and external audit recommendations have been implemented by Management.
27	Has the committee evaluated whether and how it is adding value to the organisation?	Moderate Improvement	**3.0**	There has been no recent self analysis of the added value provided by the GAC.
28	Does the committee have an action plan to improve any areas of weakness?	Moderate Improvement	**3.0**	Once this review has been completed an action plan to improves areas of weakness will be prepared and monitored.
29	Has this assessment been undertaken collaboratively with the audit committee members?	Moderate Improvement	**3.0**	This review of GAC effectiveness will be shared with the GAC so that they can have the opportunity to fully contribute to the report's findings and outcomes.

Classification of Table Contents

Does Not Comply	Partially Complies and extent of improvement needed			Fully Complies
Major Improvement	Significant Improvement	Moderate Improvement	Minor Improvement	No Further Improvement
1	2	3	4	5

: Appendix B

Audit Committee Members Knowledge and Skills Framework

Knowledge Area	Details of Core Knowledge Required
Organisational knowledge	• An overview of the authority's governance structures and decision making processes. • Knowledge of the organisational objectives and major functions of the authority.
Audit committee role and functions	• An understanding of the audit committee's role and place within the governance structures. • Familiarity with the committee's terms of reference and accountability arrangements. • Knowledge of the purpose and role of the audit committee.
Governance	• Knowledge of the seven principles as outlined in **Delivering Good Governance in Local Government: Framework** (CIPFA/Solace, 2016). • The requirements of the AGS. • How the principles of governance are implemented locally as set out in the local code of governance
Internal audit	• An awareness of the key principles of the PSIAS and the LGAN. • Knowledge of the arrangements for delivery of the internal audit service in the authority and the charter. • How the role of the head of internal audit is fulfilled. • Details of the most recent external assessment and level of conformance with the standards. • Internal audit's strategy, plan and most recent annual opinion.
Financial management and financial reporting	• Awareness of the financial statements that a local authority must produce and the principles it must follow to produce them. • An understanding of good financial management practice as set out in the CIPFA **Financial Management Code** (FM Code) and the level of compliance with it. • Knowledge of how the organisation meets the requirements of the role of the CFO as required by **The Role of the Chief Financial officer in Local Government** (CIPFA, 2016) • An overview of the principal financial risks the authority faces.
External audit	• Knowledge of the role and functions of the external auditor and who currently undertakes this role. • Knowledge of the key reports and assurances that external audit will provide. • Familiarity with the auditor's most recent plan and the opinion reports. • Knowledge about arrangements for the appointment of auditors and quality management undertaken.
Risk management	• Understanding of the principles of risk management, including how it supports good governance and decision making. • Knowledge of the risk management policy and strategy of the organisation. • Understanding of risk governance arrangements, including the role of members and of the audit committee. • Knowledge of the current risk maturity of the organisation and any key areas of improvement.

Counter fraud	• An understanding of the main areas of fraud and corruption risk that the organisation is exposed to. • Knowledge of the principles of good fraud risk management practice in accordance with the **Code of Practice on Managing the Risk of Fraud and Corruption** (CIPFA, 2014). • Knowledge of the organisation's arrangements for tackling fraud.
Values of good governance	• Knowledge of the Seven Principles of Public Life. • Knowledge of the authority's key arrangements to uphold ethical standards for both members and staff (eg code of conduct). • Knowledge of the whistleblowing arrangements in the authority.
Treasury management (only if it is within the terms of reference of the committee to provide scrutiny)	• Effective Scrutiny of Treasury Management is an assessment tool for reviewing the arrangements for undertaking scrutiny of treasury management. The key knowledge areas identified are: • regulatory requirements • treasury risks • the organisation's treasury management strategy • the organisation's policies and procedures in relation to treasury management.
Core Skills	
Strategic thinking and understanding of materiality	• Able to focus on material issues and the overall position rather than being side tracked by detail.
Questioning and constructive challenge	• Able to frame questions that draw out relevant facts and explanations, challenging performance and seeking explanations while avoiding hostility or grandstanding.
Focus on improvement	• Ensuring there is a clear plan of action and allocation of responsibility.
Able to balance practicality against theory	• Able to understand the practical implications of recommendations to understand how they might work in practice.
Clear communication skills and focus on the needs of users	• Support the use of plain English in communications, avoiding jargon, acronyms, etc.
Objectivity	• Evaluate information based on evidence presented, avoiding bias or subjectivity.
Meeting management skills	• Chair the meetings effectively: summarise issues raised, ensure all participants can contribute, and focus on the outcome and actions from the meeting.

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Agenda Item 10/

Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 23 March 2023

AH

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Local Pension Board meetings held 18 October 2022.

Summary statement:

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.

City of Bradford Metropolitan District Council (the Council), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee.

The minutes of the WYPF Pension Board meeting are to be submitted to this committee.

Euan Miller
Managing Director

Portfolio:

Leader of Council & Strategic Regeneration

Report Contact: Matt Mott
Phone: 07815 476877
E-mail: matthew.mott@bradford.gov.uk

1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of WYPF Local Pension Board to be submitted to this committee.

2. APPENDICES

- Appendix A - Minutes of WYPF Local Pension Board meeting of 18 October 2023

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Minutes of a meeting of the West Yorkshire Pension Fund Pension Board adjourned on 13 September 2022 and reconvened on Tuesday, 18 October 2022 at 10.00 am in Aldermanbury House, Godwin Street, Bradford

Commenced 10.05 am
Concluded 11.45 am

Present – Members of the Committee

Employer Representatives	Member Representatives
Councillor S Lal (Chair) – Bradford **Councillor L Martin – Leeds** **Mr Ben Petty – Employer Rep**	**Isaac Dziya – Unison Mick Binks - Unison**

Councillor Lal in the Chair

Apologies: Cllr Lisa Martin, Andy Jones and Philip Charlton

1. DISCLOSURES OF INTEREST

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

Action: **Director of Legal and Governance**

MINUTES

Resolved –

That the minutes of the meeting held on 28 June 2022 be signed as a correct record.

2. INSPECTION OF REPORTS AND BACKGROUND PAPERS

There were no appeals made to view restricted documents.

3. DRAFT JAG MINUTES FROM THE MEETING HELD ON 28 JULY 2022

The report of the Director, West Yorkshire Pension Fund, **(Document "J")** reminded Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 was to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS 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.

The Draft minutes of meeting of WYPF Joint Advisory Group were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Resolved –

That the draft minutes of the West Yorkshire Pension Fund Joint Advisory Group on 28 July 2022 be noted.

Action: Director, West Yorkshire Pension Fund

4. McCLOUD - EFFECTS ON LOCAL GOVERNMENT

The report of the Director, West Yorkshire Pension Fund **(Document "K")** was submitted to the Board to provide details of the work undertaken in anticipation of the regulations being made in light of the McCloud remedy.

This follows the release, in July 2020 of the government's consultation on applying the remedy to address the age discrimination inherent in the transitional protections that were adopted by the public service scheme in 2014.

A PowerPoint presentation was shared to provide Members with contextual information relating to changes in pensions and an overview of what the McCloud remedy was, how it originated, the implications, a timeline of publications in relation to the consultation, HM Treasury's preferred choice of remedy and who the LGPS protections applied to. A list of key tasks to be completed in 2022 and beyond was also shared with Members so they could have a better understanding of what needed to happen and the work and potential costs involved for the fund. Plans to implement the remedy were already underway and included development of software automation, data gathering, partnership working and enhanced communications with scheme members via its online portal with additional screens showing personal McCloud data.

Officers stated that 70,000 members could possibly be affected and the implications on resources and costs. Information gathering from employers represented a significant task as only one third had responded to requests to date. Issues arose from instances where payroll providers had changed etc. and presented just one of a number of barriers to overcome. Guidance had been sought from LGA on how to proceed if data was not made available.

Members were then given the opportunity to comment and ask questions, the details of which and the responses given are as below.

Members asked whether the fund's management team were confident that there was sufficient capacity to get the work done and were advised that work was already underway and had been for the previous 2 years. Recruitment was already taking place as well as adding resources and investment in systems automation.

The Fire Service had lodged a challenge and members asked for details of why and were advised that it held the position that pension members should not bear any costs but this would make administration more complicated.

Resolved – That the report be noted.

Action: Director, West Yorkshire Pension Fund

5. FROZEN REFUNDS

The report of the Director, West Yorkshire Pension Fund **(Document "L")** was presented to provide an update on action undertaken by WYPF to deal with members who have left the pension scheme with an entitlement to a refund that they had not claimed, referred to as a frozen refund.

The report revealed that West Yorkshire Pension Fund (WYPF) ran individual traces using an automated tracing basis within 12 months of the payment deadline and it was questioned if additional communication methods were utilised. In response the difficulty in contacting people who did not keep in touch with the fund was discussed. it was confirmed that searches were repeated and that all communications made with current members encouraged them to register for the portal so that electronic methods of communication could be utilised.

It was explained that the frozen refunds were typically for small amounts as they related to only short periods of service. It was hoped that the introduction of the Pensions Dashboard may remind people of their previous service and instigate additional enquiries.

It was questioned if contact could be made with current employers in the fund to trace people but explained that the frozen refunds referred to members who had left the scheme and would no longer be with those employers.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

6. WYPF FINANCE REPORT

The report of the Director, West Yorkshire Pension Fund **(Document "M")** was submitted to the Board and presented the WYPF 2021/22 financial outturn, financial and service performance and the draft 2021/22 annual report and accounts (WYPF accounts) in accordance with The Local Government Pension Scheme Regulations 2013. Regulation 57 specified that an annual report must be prepared each year ending 31 March and must be published by 1st December following the year end.

The WYPF accounts formed part of the City of Bradford Metropolitan District Council (CBMDC) accounts, and was audited by the Council Auditor "Mazars LLP" and signed by Mazars as part of the City of Bradford accounts bundle.

The audited WYPF accounts were also required by all West Yorkshire employers that were employer members of WYPF for their annual audit in accordance with Regulation 56 of the LGPS 2013. There were also a number of audit regulations requiring employers' auditors to gain assurance on pension liabilities and assets, by auditing WYPF records.

The funds' outturn for 2021/22 was £10.46m against a budget of £12.65m, with an underspend of £2.19m, a major underspend on employee costs of £0.42m, and investment transaction cost underspend of £1.28m. The fund delivered top quartile services performance using efficient and continuous improvement processes. The cost per member for 2020/21 was £33.93, 2021/22 was £33.97, thus WYPF remained the lowest in the LGPS whilst maintaining service quality.

The net asset value of the Fund as at 31 March 2022 was £17.91 billion, an increase of £1.58 billion (9.67%) compared to the 31 March 2021 figure of £16.33 billion.

Officers confirmed that WYPF had completed its financial audit and the final account was presented at the Governance and Audit Committee meeting. It would not be signed off until the Council accounts were also signed off. A brief account of positive adjustments was summarised for Members with the value of the funds' assets increasing. An explanation of the underspend was explained to Members and Officers assured Members that KPI's were still being met despite ongoing unfilled staff posts.

Net cash flow was still in a positive position and was forecast to be so for the following 10 years and it was likely that pensions would go up due to inflation but costs would remain consistent. WYPF still continued to be the lowest cost LGPS fund and compared favourably with the private sector. Charges to member employers for services were passed on at cost. Officers stated that staff retention and support from CBMDC was still a challenge.

Members were then given the opportunity to comment and ask questions, the details of which and the responses given are as below:

A Member asked if anything could be done to speed up the Council's final account and was informed that work needing to be done on the accounts caused delays and WYPF accounts had to be published with CBMDC accounts. There were ongoing capacity issues in HR, IT and procurement etc. and the fund wanted its own separate resources in these areas. Engagement with the auditors as preparation for the audit plan (both internal and external auditors).

A Member asked about the competition to attract staff and asked if consideration was being given to offer increased salaries to attract and retain more staff. Officers advised that the grading was correct but the roles were specialised. The Council was finding it difficult to understand that pay needed to be competitive. Pension workers' salaries were more competitive and public sector salaries had not kept up with the private sector.

Resolved –

1. **That the annual report and account be noted.**

2. **That West Yorkshire Pension Fund's financial and service performance be noted**

Action: Director, West Yorkshire Pension Fund

7. WYPF INTERNAL AUDIT PLAN 2022/23 AND FIVE-YEAR PLAN 2022/23 - 2026/27

The report of the Director, West Yorkshire Pension Fund (**Document "N")** was submitted and presented the latest five-year internal audit plan for WYPF. Members were advised that the plan was reviewed annually between West
Yorkshire Pension Fund (WYPF) and City of Bradford Metropolitan District Council (CBMDC) internal audit by carrying out a detailed assessment of WYPF business activities, pensions and investment regulatory compliance environments, service developments and risk management. Annual planning sessions with the Internal Audit Team allowed for the planning of a work programme for the coming year and reviewed the previous year's performance.

It was reported that all reports reviewed by the internal audit team were provided to the external auditors to be utilised in their final audit. As the internal audit was funded by the WYYPF a Member questioned the independence in that process. In response it was confirmed that the process did not reduce the external auditors work but did ensure that all areas were covered. Internal and external auditors supported each other's efforts and provided an additional service. If the work of internal auditors was not up to standard the fund would be paying much to external auditors.

It was reported that lobbying had been conducted by the Local Government Association to separate Pension Fund accounts from Local Authority accounts for the previous seven years although they were advised that legislation to allow that separation would be required.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

8. WYPF PRODUCTION OF ANNUAL BENEFIT STATEMENTS (ABS) FOR MEMBERS IN 2022

The report of the Director, West Yorkshire Pension Fund **(Document "O")** was submitted to the Board and presented an update for Members on the production project of Annual Benefit Statements (ABS) for all members entitled to receive one. In accordance with LGPS Regulations 2013, pension funds were required to provide ABS to active, deferred, deferred pensioners and credit members within 5 months of the fund's scheme year end (31 March). The fund's management confirmed that WYPF had complied with the regulations relating to ABS.

Pension fund members were encouraged to move to using the online portal to reduce the quantity of paper statements etc. and in turn reduce the fund's carbon footprint.

Officers stated that it had performed well in carrying out this annual requirement and was a credit to the staff involved. Almost 100% of statements had been produced and Officers provided some statistics on shortfalls with explanations, emphasising the rigorous, mainly automated processes involved.

There were no Member questions or comments.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

9. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

The report of the Director, West Yorkshire Pension Fund **(Document "P")** was presented to provide an update on changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

Members were advised that since the production of the report a response on Fair Deal – strengthening pension protection – had been received revealing and further consultation would be undertaken on timescales.

As had been reported earlier in the meeting draft regulations were expected on McCloud and it was hoped that these would be available by the end of the month.

Publication of the Scheme Annual Report revealed that scheme membership continued to grow and assets increased. The report revealed that there had been a drop in life expectancy since the COVID pandemic and that would impact on future valuation.

It was reported that the Government's Actuary Guarantee, which provided that should an academy close outstanding balances would not revert to the LGPS fund, was continuing but would be regularly reviewed to ensure it remained affordable.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

10. WYPF DATA IMPROVEMENT PLAN

The report of the Director, West Yorkshire Pension Fund **(Document "Q")** was submitted to the Board following the Code of Practice 14 by The Pensions Regulator (TPR) in 2018 and The Public Service Pensions (record Keeping and Miscellaneous Amendments) Regulations 2014 requiring public sector pension funds to maintain comprehensive and accurate data on their members and member's pension funds.

The data improvement plan document was included as an appendix to the main report and provided details of key objectives, outcomes and information relating to data cleansing and the frequency of data quality reports. WYPF welcomed monthly contribution postings several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member records. The benefits include ensuring that employee's contributions, member's personal details, and financial records are up to date, accurate and complete.

Officers advised that key data for the pensions dashboard would be targeted for completion by February 2023 subject to data scrutiny and match keys.

There were no Member questions or comments.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

11. PENSIONS DASHBOARD

The Director, West Yorkshire Pension Fund, presented a report **(Document "R")** providing an update on the progress and regulatory responsibilities required for the introduction of the Pensions Dashboard.

The aim of Pensions Dashboard is to change the way people engage with and prepare for retirement by enabling people to see all their pensions information in one place online, including their state pension, allowing individuals to make better informed decisions about their retirement. It would also reunite lost and forgotten pensions pots with their owners.

The summary to the report revealed that the Department of Work and Pensions (DWP) had published their response to their consultation on the secondary legislation that underpinned Pensions Dashboard and how pensions providers would establish and operate, including responsibilities of pensions providers Boards.

The report revealed that parliamentary time was still required for the legislation to be finalised but were informed that it did include a tight deadline for the dashboard to be in place by September 2024.

It was stressed that the process was the beginning of the procedure for the Department for Work and Pensions (DWP) to manage how funds looked after pensions.

It was explained that an online Government portal would be developed into which funds would details of all pensions so that people could manage their own retirement funds in one place. The Monetary Advice Service would monitor, in real time, all traffic to all pension providers. Data would continue to be subject to GDPR regulation and the fund must be confident that data was correct.

It was confirmed that the WYPF was confident that it was clear about regulatory requirements and in a good place to meet the September 2024 deadlines.

The report revealed that the Pensions Dashboard would require the use of online banking systems and a Member questioned security measures.

Members were assured that the Pension Dashboard Programme had been established in 2017 and security services had been tested. The pensions service was the last industry to go on line; the Government had operated online banking services for some time and learning from those systems would be utilised in the Pension Dashboard programme. Whilst it was a massive move for the pensions industry to move to the digital mode external help and assures were available. Members were advised that existing on line banking systems had been operated successfully across Europe. The Pensions Dashboard would be operated on existing online banking principles.

In response to questions it was confirmed that the state pension would be included in the Pensions Dashboard.

It was questioned if penalties would be imposed on employers not meeting Pension Dashboard timescales and it was confirmed that they would incur stringent penalties.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

12. WYPF PENSIONS ADMINISTRATION

The report of the Director, West Yorkshire Pension Fund **(Document "S")** was submitted to the Board as WYPF provided pensions administration for WYPF scheme members, a full administration service to Lincolnshire Pension Fund, the London Borough of Hounslow and more recently the London Borough of Barnet plus twenty-three Fire Authorities. This included pensioner payroll (except for the London Borough of Hounslow), all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as actuaries, and local authorities for the production of the scheme accounts.

The report submitted presented updates on activities undertaken in the previous quarter. Officers explained the services provided stating that despite high work volumes, KPI's were good overall. They shared details of underperformance with the reasons why both included in the written report and verbally. There had been a lot of employer activity as it was valuation year and performance should improve with completion of staff training and automation of systems.

Officers advised that the results of a recent survey conducted online showed a 96.3% satisfaction rating from members. They also stated that the fund holds ISO 9001 accreditation and ISO 7001 certification relating to information security which showed no non-conformance. Staffing was challenging in pensions sectors but the fund was recruiting with 21 new starters and 14 leavers with 6 vacancies remaining.

A Member suggested that KPI's could be better presented using the RAG (red, amber, green) system to make them clearer.

Members were reminded about the importance of training and were urged to complete the online training package as soon as possible, especially around pension scams. A tailored training package would be sent to each Member and a questionnaire would be going out to identify training needs and to compose a training package.

Resolved –

That the report be noted.

Action: Director, West Yorkshire Pension Fund

13. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented a report **(Document "T")** to provide Members with details of entries on the Register of Breaches of Law and the actions taken in accordance with the Public Service Pensions Act 2013, that from April 2015 all Public Service Pension Schemes were under the remit of the Pensions Regulator.

Members were advised that the report being discussed was for the 2021/22 municipal year and that a new register for any breaches from April 2022 was being produced.

It was confirmed that there were no additional entries since the register had last been discussed, however, the late payments by employers list had been extended.

Attention was drawn to a late payment outstanding from October 2021. It was confirmed that payments from that employer had been received for all subsequent months and action was being taken to recover the payment for October 2021.

Resolved –

That the entries and action taken on the Register of Breaches be noted.

Action: Director, West Yorkshire Pension Fund

14. EXCLUSION OF THE PUBLIC

Resolved –

That the public be excluded from the meeting during consideration of the Not for Publication Appendix to Document "U" relating to the minutes of a West Yorkshire Pension Fund Investment Advisory Panel meeting held on 28 July 2022 because information would be disclosed which is considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

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

15. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL (IAP) MEETING HELD ON 28 JULY 2022

The report of the Director, West Yorkshire Pension Fund, (**Document "U"** – containing a **Not Publication Appendix**) reminded Members that the role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 was to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS 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.

The Minutes of the meeting of the WYPF Investment Advisory Panel were submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Resolved –

That the Not for Publication minutes of the West Yorkshire Pension Fund Investment Advisory Panel meeting held on 28 July 2022, appended to Document "U", be noted.

Action: Director, West Yorkshire Pension Fund

Chair

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

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Agenda Item 11/

Report of the Managing Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 23 March 2023

AI

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held 26 January 2023

Summary statement:

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

Euan Miller
Managing Director

Report Contact: Euan Miller
Phone: (01274) 43 4517
E-mail: euan.miller@wypf.org.uk

Portfolio:

Leader of Council & Strategic Regeneration

1. SUMMARY

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

2. APPENDICES

- Minutes of the Joint Advisory Group 26 January 2023

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 26 January 2023 at 1.30 pm in Council Chamber - City Hall, Bradford

Commenced 1.30 pm
Concluded 3.10 pm

Present – Members

Bradford Members Councillors: Salam Winnard	**Calderdale Members** Councillor: Hutchinson
Kirklees Members Councillors: Crook Ramsay	**Leeds Members** Councillors: Scopes
Wakefield Members Councillors: Mitchell Swift	**Trades Union Members** Tristan Chard (GMB) Andrew Goring (Unison) Liz Bailey (Unison)

Councillor Winnard in the Chair

Apologies: Councillor Andrew Thornton and Councillor Deb Nicholls

16. DISCLOSURES OF INTEREST

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

Action: Director of Legal and Governance

17. MINUTES

Resolved –

That the minutes of the meeting held on 28 July 2022 be signed as a correct record.

ACTION: Director of Legal & Governance

18. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

19. FINANCE REPORT

The report of the Director, West Yorkshire Pension Fund **(Document "K")** presented the latest financial update for 2022/23, budget proposal for 2023/24 and an update on the 2021/22 annual report and accounts (WYPF accounts).

The report provided a summary of West Yorkshire Pension Fund's financial position, and key financial activities during the year ended 31 March 2022.

Members were advised that the accounts have been prepared in accordance with the regulations outlined below and complied with all relevant regulations and best practice.

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22
- 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

It was reported that there were delays in finalising audit opinions due to legislative provisions which came into force on 25 December 2022 and it was explained that discussions were ongoing as to when Bradford Council accounts bundle, including WYPF accounts would be signed. A representative from the audit firm Mazars attended and provided comment on the report.

The latest WYPF Draft Report and Accounts as at 31 March 2022 were attached as Appendix 1 to Document "K" and Members were advised that whilst the audit work for WYPF had been completed the current version would remain as a draft account and was subject to further reviews until it was signed by auditors. It was explained that JAG would receive an update in July 2023 and that due to late receipt of a number of private asset valuations the value of asset had increased and as a result investment performance also improved.

Resolved –

1. **That the projected outturn of £6,264k against budget of £6,254k for 2022/23, projected overspend of £9k be noted.**

2. **That the proposed budget of £7,302k for 2023/24 be approved.**

3. **That the WYPF total cost per member of £34.06 for 2021/22 as the lowest LGPS cost per member be noted and that both Cipfa and CEM benchmark for 2021/22 confirmation that WYPF delivers high level of**

pension services at below average cost, be noted.

4. **That the WYPF team of officers be congratulated for their efficient management throughout the year.**

Action: Managing Director, West Yorkshire Pension Fund

20. 2022 ACTUARIAL VALUATION

The Report of the Managing Director, West Yorkshire Pension Fund (WYPF) **(Document "L")** was presented as the triennial actuarial valuation of the fund was being prepared based on the position at 31 March 2022, and would determine the level of employers' contributions for the period 1 April 2023 to 31 March 2026.

Members were advised that if the draft Funding Strategy Statement was approved, which was being discussed later in the meeting, the indications were that WYPF would be 108.5% funded. This was compared to the situation at 31 March 2019 when it was 106% funded.

It was confirmed that training had been provided to Members on 10 January 2023 and a Member reiterated comments he had made at that time.

He was concerned about the process which had been undertaken as assumptions had been agreed by the working group and details of future service rates had been presented to employers before being seen by Members. He acknowledged the need for caution but believed that the surplus at 31 March 2023 would be greater than the previous year. He believed that there had been a high level of contribution stability and felt that a conversation regarding that surplus and discussions about the process in future years were required.

The Managing Director, WYPF, acknowledged those comments and agreed that it was difficult to keep Members updated when the group only met twice per year. He suggested that going forwards, in valuation years the group could potentially meet more often.

It was explained that prudence was applied to reflect the unusual market conditions which had been seen and whilst it would be good help employers by reducing rates further, the Fund needed to be cautious when lowering rates in case the market conditions changed significantly. The Investment Strategy Review following completion of the valuation process would take into account any surplus and consider risk management strategies and the desire of reducing rates in future if appropriate. The Managing Director stated he looked forward to those discussions.

Resolved –

That the report, and the issues raised by Members, be noted.

Action: Managing Director, West Yorkshire Pension Fund

21. EXCLUSION OF THE PUBLIC

No resolution was passed on this item.

22. CONSULTATION ON UPDATES TO WEST YORKSHIRE PENSION FUND FUNDING STRATEGY STATEMENT (FSS)

The report of the Managing Director, West Yorkshire Pension Fund (**Document "M")** informed Members that the Administering Authority had undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflected the principles and approaches it intends to take as part of the 2022 valuation exercise.

The updates to the Funding Strategy Statement that were consulted on were outlined in the report and a copy of the draft Funding Strategy Statement with the changes tracked to aid reference was appended to the report. The consultation exercise closed on 31 December 2022 and the comments received were provided in the report.

Members were then given the opportunity to ask questions and to comment. The details of which and the responses given are as below.

A Member noted the approach to funding overall and quoted that it needed to be both 'cohesive and comprehensive' and in the 'long-term interests of the fund'. In light of these comments, the Member then requested amendments to the document in relation to divestment from fossil fuels with a specified timeline. Whilst some other Members who were present supported the idea, Officers advised that the document had already been out for consultation with stakeholders and had been drafted based on comments received. It would not be appropriate to make changes to the policy without further consultation from employer Members who may not agree as the Member's proposal represented a significant material change. Members wanted discussion regarding divestment to take place and their concerns to be noted but were advised that this was not the body responsible to do so. Officers further advised that the FSS was a policy document and needed to be consistent with other WYPF policiies which were matters considered by the Investment Advisory Panel rather than the Joint Advisory Group.

Resolved –

That the changes to the Funding Strategy Statement, outlined in Document "M", be noted.

Action: Managing Director, West Yorkshire Pension Fund

23. PENSIONS ADMINISTRATION

The Report of the Director, WYPF **(Document "N")** provided an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities for the period 1 July 2022 to 31 December 2022.

The report detailed performance and benchmarking; total work in progress divided into categories; scheme information; praise and complaints, details of the internal dispute resolution procedures; an administration update; staffing figures and member portal details.

Members were advised that the fund had won the Good Governance Award at the LAPF Investment Awards in December 2022 and had been shortlisted by Pensions Age under the categories of DB Pension Scheme of the Year, Pension Scheme Communication Award and Pensions Administration Award.

Following a detailed presentation and whilst congratulating officers on a fantastic performance, a Member questioned if succession plans were in place to ensure that the progress reported could continue.

In response it was acknowledged that the fund had a mature workforce with a number of senior managers being in that age bracket. Assurances were provided that a number of key posts had been filled; succession plans were in place and training was provided to ensure that knowledge was gained and the necessary expertise passed on.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

24. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2023

The Report of the Managing Director, WYPF **(Document "O")** was submitted to the Joint Advisory Group in compliance with the LGPS Regulations 2013. WYPF prepare a written statement of the authority's policies in relation to such matters as it considers appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF are expected to achieve.

Officers presented the report on an annual basis as an update, more specifically for communications as it was an annual plan. Some highlights from the report were shared as a summary and indicated that there was an increase in use of the online pension portal. The Administration strategy was considered to be a key document as it defined the relationship between WYPF and employers – the document presented was a refresher as there were not significant changes.

There were no questions or comments in relation to this item.

Resolved –

That the Pension Administration Strategy and the Communications Policy 2023 be noted.

Action: Managing Director, West Yorkshire Pension Fund

25. REGISTER OF BREACHES OF LAW

The Report of the Managing Director of WYPF **(Document "P")** was submitted in accordance with the Public Service Pensions Act 2013.

Members were advised that Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to the Pensions Regulator as soon as reasonably practicable where a person has reasonable cause to believe that:

a. A legal duty relating to the administration of the scheme has not been or is not being complied with; and

b. The failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions.

Appended to the report at Appendix A was the Register of Breaches 2022/2023 and that detailed whether each Breach had been deemed to be of material significance and as a result been reported to the Pensions Regulator in accordance with Section 70 of the Pensions Act 2004.

The entries on the Register of Breaches for 2022/23 related to:

- Contributions being paid late by employers and therefore not being received by the fund until after the Pension Regulator's deadline of the twenty first day of the following month
- The non-issue of Annual Benefit Statements by 31st August 2022 for a small number of active members

The actions taken to recover late payments was reported and it was confirmed that should payments not be received by the end of the month the breaches would be reported to The Pensions Regulator.

In response to questions it about the non-payments it was explained that the monitoring process had been amended and officers would be informed of the breaches much earlier.

Resolved –

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

Action: Managing Director, West Yorkshire Pension Fund

26. CEM - PENSIONS ADMINISTRATION BENCHMARKING SURVEY (PABS)

The Report of the Managing Director, WYPF **(Document "Q")** advised Members of the comparison of WYPF's pension administration costs and member service with a peer group of other schemes, from both public and private sector, for the year to 31 March 2022.

Officers advised that WYPF was a part of a benchmarking group run by CEM and details of the peer group that WYPF was part of was included in the document appended to the main report for information. CEM was tasked with comparing cost and performance with peer pension schemes and showed that WYPF were below average for costs per member whilst still comparing favourably for the service provided. The results indicated that the service provided was better than the peer group and had gone up from last year. Officers further advised that the service score should increase the following year as there was now an online pension calculator on the member portal and in person meetings had restarted following the restrictions imposed by Covid. Online functionality for AVC's was at a lower score level as the information was accessed via provider portals.

Members were then given the opportunity to ask questions and comment. The details of which and the responses given are as below.

A Member queried the amounts in the report relating to the low governance costs and was advised that governance costs were difficult to compare systematically because the issues faced by each scheme were so different.

Officers stated that there were few flags to identify vulnerable members and were asked by Members if there were any plans to address the situation. Officers stated that members were flagged when identified but more could be done. Lessons could be learnt from the private sector and from their best practice.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

27. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

The Report of the Managing Director, WYPF **(Document "R")** was presented to provide Members with an update on changes to the Local Government Pension Scheme (LGPS) 2014 and information on associated matters.

The Chair questioned if work on the McCloud remedy would be a large administration burden and he was advised that the process would require a very large exercise to look at records for all members including those who had retired, transferred out or were deceased. Work had already begun and although data had been requested from employers for eight years very little response had been received. As a result, assumptions would be required but Officers were confident this would not be an issue as, unlike many Funds, records were maintained and kept up to date. The issue was a risk on the Risk Register. It was hoped that software released from providers would allow automated calculations to be made. Additional staff and training was planned dependent on what was released from the software providers.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

28. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE - ANNUAL AVC REVIEW

The Report of the Managing Director of the WYPF, **(Document "S")** presented details of Aon's AVC Team review of the performance of Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration annually.

The fund was required to offer AVC facilities and was working with Prudential, Scottish Widows and Utmost Life and Pensions as a legacy provider (formerly Equitable Life).

AVC services were historically reviewed annually by the actuary to highlight any potential issues. However, no reviews were carried out in 2021 of AVC providers so the last review was in 2020. There were no concerns with any of the providers and whilst the number of members making AVC's had decreased, their value had increased over the intervening period. Officers summarised the key findings of Aon's review which did not recommend any change of the fund providers but recommended a change to the Scottish Widows Lifestyle strategy.

Officers advised that in relation to 'Lifestyling', members decided which AVC Fund they wanted to be in based on information provided by the providers and their own personal circumstances. On taking payment of their AVC members could choose to take them as a lump sum or additional pension payments.

Resolved –

That Scottish Widows be instructed to replace WYPF's bespoke LifeStyle strategy with its Adventurous Pension Approach Strategy Targeting Lump Sum.

Action: Managing Director, West Yorkshire Pension Fund

29. WYPF GOVERNANCE REVIEW

The Managing Director, West Yorkshire Pension Fund, presented a report **(Document "T")** which set out at a high level, a proposed process for undertaking a WYPF governance review. Initial feedback was sought from Joint Advisory Group members.

A Member requested that the review include consideration of holding the Investment Advisory Panel in a more public setting and for the papers to be released on the Bradford Council website. The Bradford Council Governance and Audit Committee's powers to overrule the Panel and Joint Advisory Groups decisions if it felt they were not in the best interests of WYPF was also raised.

Resolved –

That the proposed governance review be welcomed and the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

30. BUSINESS PLAN 2022 - 2027

The Report of the Managing Director, WYPF **(Document "U")** was submitted to inform members regarding the five-year business plan which highlighted objectives for the Fund and documented the priorities and improvement to be implemented to help achieve those objectives.

Officers provided a summary update on the progress made against the areas identified as a priority. Officers stated that the fund was signed up to the Pension Scam pledge and urged JAG Members to ensure they had completed the required online training. They also confirmed that the Pensions Regulator would be observing the next meeting of the Local Pensions Board scheduled for March 2023.

Some developments highlighted included succession planning for staff, monthly updates online for employers' self-service function and the frozen refund clearance exercise to ensure that information was up to date in preparation for use via the online portal.

Members were then given the opportunity to ask questions or make comments, the details of which and the responses given are as below.

A Member stated that as the 5 local authorities were the largest employer Members they would like the opportunity to engage with the progress made on divestment from fossil fuels and to be included in the Business Plan.

Resolved –

That the West Yorkshire Pension Fund Business Plan 2022-2027 and the comments received from Members be noted.

Action: Managing Director, West Yorkshire Pension Fund

31. TRAINING

The Report of the Managing Director, WYPF **(Document "V")** was submitted and informed Members of the growing need for LGPS funds to demonstrate that Members had an adequate level of knowledge to carry out their roles effectively. The report contained details on the available training and conferences to assist members to meet the requirement. The Chair emphasised the need for all Members to undertake the training suggested.

Resolved –

1. **That it be agreed that members would undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.**

2. **That all members be encouraged to attend external training events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations.**

Action: Managing Director, West Yorkshire Pension Fund

32. CHAIR'S NOTE - THE RETIREMENT OF THE DIRECTOR, WEST YORKSHIRE PENSION FUND

The Chair and all Members were advised of the retirement of Rodney Barton, Director, West Yorkshire Pension Fund.

Rodney was thanked for his hard work and it was agreed that the funds effective, efficient, low cost and high service provision was due to his leadership.

The Joint Advisory Group wished to record their appreciation of his efforts and he was wished well for his retirement.

Chair

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

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 23 March 2023

AJ

Subject:

West Yorkshire Pension Fund Funding Strategy Statement

Summary statement:

Each LGPS fund must maintain a Funding Strategy Statement (FSS) in accordance with the Local Government Pension Scheme Regulations 2013. It must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy. It is customary for each LGPS fund to update its Funding Strategy Statement as part of the triennial actuarial valuation process, which needs to be completed by 31 March 2023.

A report was taken to the Joint Advisory Group (JAG) on 26 January 2023, asking for the changes to the Funding Strategy Statement be approved. JAG did not approve the changes as it requested further amendments be made in relation to disinvestment from fossil fuels within a specified timeline. It was explained at the meeting that it would not be appropriate to make these changes for a number of reasons, which are set out in the report.

Approval of the FSS is required to enable the Rates and Adjustment certificate to be signed by WYPF's Actuary by 31 March 2023 as part of the 2022 valuation process.

Euan Miller
Managing Director

Portfolio:

Report Contact: Euan Miller
Phone: 01274 434517
E-mail: euan.miller@wypf.org.uk

1. SUMMARY

1.1 It is customary for each LGPS fund to update its Funding Strategy Statement (FSS) as part of the triennial actuarial valuation process, which needs to be completed by 31 March 2023. Approval of the FSS is required to enable the Rates and Adjustment certificate to be signed by WYPF's Actuary by 31 March 2023 as part of the 2022 valuation process.

2. BACKGROUND

2.1 WYPF must maintain a Funding Strategy Statement in accordance with the Local Government Pension Scheme Regulations 2013. It must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy.

2.2 The proposed amendments to the FSS as part of the 2022 valuation process are for two key items:

- Funding Approaches and Principles for the 2022 Valuation

  Due to the short term inflationary pressure at the 2022 valuation an adjustment of 10% be added to the liabilities for all funding targets. (This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions. (See point 5.12 of the FSS))

  Details of the discount rates, probability of funding success and trajectory periods for the 2022 valuation. (see point 5.15 pf the FSS)

  For the majority of employers an adjustment to any surplus used to reduce the contributions to below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the volatility in asset values since 31 March 2022 and the challenging outlook. It is intended to reduce the risk of an employer's contributions reducing from 1 April 2023 only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation. (see point 5.21 of the FSS)

- The introduction of two groups or pools of employers for funding purposes:
  - Town and Parish Councils and,
  - Academies Groups

References to how this would work are made throughout the document.

2.3 A consultation with stakeholders such as Scheme Employers on the proposed amendments to the FSS ran for 6 weeks up until 31 December 2022.

2.4 A report was taken to the Joint Advisory Group (JAG) on 26 January 2023, asking for the changes to the Funding Strategy Statement to be approved. The changes were tracked to aid reference and was appended to the report.

2.5 JAG did not approve the changes as it requested further amendments be made in relation to disinvestment from fossil fuels within a specified timeline. It was explained at the meeting that it would not be appropriate to make material changes to the FSS without further consultation with stakeholders. Members wanted discussion regarding divestment to take place and their concerns to be noted but were advised that JAG is not the body responsible for agreeing policy on these matters. Officers further advised that the FSS is a policy document and needed to be consistent with other WYPF policies which were matters considered by the Investment Advisory Panel rather than JAG.

2.6 Approval of the FSS is required to enable the Rates and Adjustment certificate to be signed by the Funds Actuary by 31 March 2023 as part of the 2022 valuation process.

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

The 2022 Actuarial Valuation will determine employer contribution rates applying for the period from 1 April 2023 to 31 March 2026.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

All LGPS funds must maintain a Funding Strategy Statement (FSS) in accordance with the Local Government Pension Scheme Regulations 2013. It must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy.

6. LEGAL APPRAISAL

The LGPS Regulations require each LGPS fund to complete its actuarial valuation process via the issuing of a Rates and Adjustments certificate by 31 March 2023.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

None

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.3 COMMUNITY SAFETY IMPLICATIONS

None

7.4 HUMAN RIGHTS ACT

None

7.5 TRADE UNION

None

7.6 WARD IMPLICATIONS

None

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

The Committee should approve the Funding Strategy Statement in order for the 2022 actuarial valuation process to be completed by the statutory deadline of 31 March 2023.

10. RECOMMENDATIONS

It is recommended that the changes to the Funding Strategy Statement be approved.

11. APPENDICES

Appendix A – Funding Strategy Statement
Appendix B– Funding Strategy Statement report to the Joint Advisory Group

12. BACKGROUND DOCUMENTS

LGPS Regulations 2013 [Timeline LGPS Regulations 2013 (lgpsregs.org)]

WYPF
Funding Strategy Statement

January 202~~2~~3

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;
- the supplementary statutory guidance issued by MHCLG (now DLUHC): Guidance on Preparing and Maintaining Policies on Review of Employer Contributions, Employer Exit Payments and Deferred Debt Agreements 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 Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities for Administering Authorities and Employers in developing the FSS and associated policies at Appendix 1 and Appendix 2.

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

- 2.2.5 makes use of the provisions of Regulation 64(7A), 64A, and 64B

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 and information required by the Government Actuary's Department in relation to Section 13 of the Public Service Pensions Act 2013;
- 4.2.10 prepare and maintain a Funding Strategy Statement and Investment Strategy Statement in proper consultation with interested parties;
- 4.2.11 monitor all aspects of the Fund's performance and funding and amend the FSS/ISS accordingly;
- 4.2.12 manage the valuation process in consultation with the actuary;
- 4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer;
- 4.2.14 enable the Local Pension Board to review the valuation process as set out in their terms of reference;
- 4.2.15 ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt agreements and spreading exit payments; 4.2.16 ensure the process of applying those policies is clear and transparent to all fund employers

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 (including contributions due under a Deferred Debt Agreement);
- 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;
- 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, in particular in relation to any review of contributions between triennial valuations under Regulation 64A;
- 4.4.6 provide views in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7B) or spread an exit payment under Regulation 64B; and
- 4.4.7 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 rates which underpin the liabilities/employer funding targets ~~from 1 February 2022~~ are 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 rates:

- 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 rates (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, i.e. if the ~~in order to continue to target a~~ funding level falls below~~of~~ 100%.

5.5 For all ongoing employers, other than those Admission Bodies whose liabilities are expected to be orphaned following exit and which are not considered by the Administering Authority to be sufficiently financially secure ~~, from 1 February 2022~~ 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)).

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. The solvency discount rate is therefore 4% p.a.

5.6 For ~~Admission Bodies whose~~ liabilities ~~are expected to be~~ which are orphaned following the exit of a participating employer, a more prudent approach will be taken ~~(ongoing orphan employers)~~. The Solvency Target is set assuming a more prudent long-term investment return of 2% p.a.

5.7 For deferred employers it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the Deferred Debt Agreement (DDA) ends.

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.

5.9 The Probability of Funding Success and Trajectory Period will be set considering the type of employer, whether or not new members will be admitted to the Fund and~~-~~, where appropriate a risk assessment to enable the Administering Authority to judge an employer's financial security. Scheduled bodies without a sufficient ~~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, then form the "intermediate" employer category.

~~5.10 With effect fromAt the 1 February 2022 actuarial valuation, the discount rates will be set for each funding target such that the Fund Actuary estimates that the chance that the Fundof would reaching or exceeding theits Solvency Target over the relevant Trajectory Period, for each group of employers, over the relevant Trajectory Periods, is as set out below:~~

~~Funding Target~~	~~Probability of funding success~~	~~Trajectory Period~~	~~Discount rate as at 31 March 2022~~
~~Secure Scheduled and Subsumption Bodyies and admission bodies with a guarantee from such bodies~~	~~765%~~	~~250 years~~	~~4.5%~~
~~Intermediate employers~~	~~Dependent on risk rating:~~	~~205 years~~	

	~~- lower risk employers: 80%~~ ~~- medium risk employer: 83%~~ ~~- higher risk employers: 85%~~		~~4.25%~~ ~~4.05%~~ ~~3.95%~~
~~Ongoing orphan employers~~	~~Set to target the exit (orphan) position when the last active leaves*~~		~~In service: 3.95%~~ ~~Left service: 1.60%~~
~~Already orphaned employers~~~~liabilities~~Orphan ~~(exit)~~	~~95%*~~	~~15 years*~~	~~1.60%~~

~~* In order to keep contributions for employers subject to T~~~~the ongoing orphan funding target~~ ~~affordable, the in service discount rate is set equal to that for the higher risk intermediate funding target. The left service discount rate is set equal to that for~~ ~~will be set taking in to account the exit funding target. The ongoing orphan funding target is used to set ongoing contributions for employers who will leave orphan liabilities upon exit and do not qualify for the intermediate funding target, but it is not the same as the~~ orphan ~~exit funding target.~~

Funding Target

5.11 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~~deficit, 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 Actuary's report on the valuation, based on the methodology set out in the Funding Strategy Statement in force at the time.~~

5.12 For all funding targets an allowance will be made for future pension increases and revaluation of pension accounts using an assumption for future CPI increases which is derived consistently with the modelling underpinning the discount rates. At the 2022 valuation this is a long-term best estimate CPI assumption of 2.3% p.a. Allowance may also be made for any short-term inflationary pressures where this is considered appropriate and prudent. At the 2022 valuation an adjustment of 10% will be added to the liabilities for all funding targets. This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions.

5.13~~2~~ For deferred employers where a deferred debt agreement is in place, the ongoing funding target will take into account the funding target at the date the deferred debt agreement is expected to end and any other factors considered to be relevant by the Administering Authority on the advice of the Actuary, which may include, without limitation:

- 5.13~~2~~.1 the agreed period of the deferred debt agreement;
- 5.13~~2~~.2 the type/group of the employer;
- 5.13~~2~~.3 the business plans of the employer;
- 5.13~~2~~.4 an assessment of the financial covenant of the employer;
- 5.13~~2~~.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

5.14~~3~~ 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.

5.15 At the 2022 actuarial valuation, the discount rates will be set for each funding target such that the Fund Actuary estimates that the chance of reaching or exceeding the Solvency Target over the relevant Trajectory Period, is as set out below:

Funding Target	Probability of funding success	Trajectory Period	Discount rate as at 31 March 2022
Secure Scheduled and Subsumption Body	76%	20 years	4.5%
Intermediate	Dependent on risk rating: - lower risk employers: 80% - medium risk employer: 83% - higher risk employers: 85%	20 years	4.25% 4.05% 3.95%
Ongoing orphan	Set to target the exit (orphan) position when the last active leaves*		In service: 3.95% Left service: 1.60%
Orphan (exit)	95%	15 years	1.60%

In order to keep contributions for employers' subject to the ongoing orphan funding target affordable, the in service discount rate is set equal to that for the higher risk intermediate funding target. The left service discount rate is set equal to that for the orphan exit funding target.

Recovery Periods

5.16~~4~~ Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, subject to any smoothing of contribution changes and noting the provisions in 5.33~~5.30~~ below, employers' contributions ~~will~~ may be adjusted to target ~~100% funding~~a fully funded position over the Recovery Period. The Fund ~~has a target~~'s strategic aim ~~of~~ is to achiev~~ing~~e ~~the Funding Target~~full funding 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.

5.17~~5~~ 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.

5.18~~6~~ Additional contributions to meet any ~~shortfall~~deficit 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: -

- 5.18~~6~~.1 scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption commitments or suitable guarantees from such bodies - 22 years

- 5.18~~6~~.2 open admission bodies without a subsumption commitment or suitable guarantee and no fixed or known term of participation and scheduled bodies with no local or central government guarantee - 22 years, although the Administering Authority reserves the right to adopt a shorter period if it has concerns about the employer's strength of covenant

- 5.18~~6~~.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)
- 5.18~~6~~.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)
- 5.18~~6~~.5 deferred employers – remaining period of the deferred debt agreement

5.19~~7~~ In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:

- 5.19~~7~~.1 the type/group of the employer
- 5.19~~7~~.2 the size of the funding ~~shortfall~~ deficit or surplus;
- 5.19~~7~~.3 the business plans of the employer;
- 5.19~~7~~.4 the assessment of the financial covenant of the employer;
- 5.19~~7~~.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.19~~7~~.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

5.20~~18~~ As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A are~~is~~ set out in Appendix 2 Amending Employer Contributions between Valuations.

5.21~~19~~ The Administering Authority operates two groups, or pools of employers for funding purposes: The Town and Parish Council Group (TPCG) and the Academies Group. The funding principles as set out below apply equally to the groups, other than where this would not be consistent with the principles of pooling funding risks. Further details of how the groups operate are set out in section 6 below.

5.22~~19~~ 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~~0~~ 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.

5.24~~1~~ 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.

5.25~~2~~ Employer contributions may be reduced below ~~T~~the primary rates ~~may be reduced~~ if the employer or group's notional share of the Fund (its assets compared to its funding target) is calculated to be in surplus. Alternatively, additional employer contributions may be required to rectify a ~~shortfall~~deficit of assets below the funding target. Assets are notionally allocated to employers via a process of unitisation as described in paragraph 5.41.~~ 5.38.~~ The~~se~~ past service ("secondary") contributions are assessed taking into account the following:

5.25~~2~~.1 ~~taking into account~~ the experience and circumstances of each employer, following a general principle of no cross-subsidy, between the various employers (other than where pooling is specifically intended to share funding risks~~or groups of employers where employers are pooled~~) in the Fund, and

~~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 active employers. In attributing the overall investment performance achieved on the assets of the Fund to each employer a pro-rata principle has been adopted.~~

5.25~~2~~.2 the appropriate recovery period for the employer or group in line with the principles set out in paragraph 5.16 above.

5.26~~3~~ It is not envisaged that any deferred employers will be in surplus relative to the relevant funding target. If there were a surplus on the exit basis then, as required by Regulation 64(7E)(e), the deferred debt agreement would terminate and an exit valuation would be carried out.

5.27~~4~~ ~~The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:~~

~~5.24.1 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.~~

> ~~5.24.2~~ W~~w~~here 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.

5.28~~5~~ For intermediate and ongoing orphan employers the Administering Authority may without limitation, take into account the following factors when setting the contributions for such employers:

- 5.28~~5~~.1 the type/group of the employer;
- 5.28~~5~~.2 the business plans of the employer;

- 5.28~~5~~.3 an assessment of the financial covenant of the employer;
- 5.28~~5~~.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;
- 5.28~~5~~.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS

5.29~~6~~ On the ~~exit~~ cessation of an employer's~~ing~~ ~~authority's~~ participation in the ~~Scheme~~Fund, the Fund Actuary will be asked to complete an exit valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution unless it is agreed by the Administering Authority and the other parties involved that:

- the assets and liabilities relating to the employer will transfer within the ~~Scheme~~ Fund to another participating employer.
- the employer and Administering Authority will enter into a DDA,
- the exit payment can be spread over a reasonable period as permitted by Regulation 64B

Details of the approach to be adopted for such an assessment on exit, including how any exit credit may be determined and the conditions in which the Administering Authority will consider agreeing to enter into a deferred debt agreement or to permit spreading of any exit payments are set out in the Policy on New Employers and Exit Valuations document at Appendix 1.

5.30~~27~~ With regard to the funding for early retirement costs, all employers, including those in the funding groups, are required to make capital payments to the Fund to cover the costs of their early retirements. This excludes the costs involved with ~~deaths in service and~~ ill health retirements which are built into the employer's contribution rate (as are death-in-service costs). For deaths in service and tier 1 and tier 2 ill health retirements the experience (and hence funding costs) will be spread across all active employers.

5.31~~28~~ Two key principles making up the funding strategy and to be adopted for the 2022~~19~~ actuarial valuation are to:

- 5.31~~28~~.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 202~~0~~3 will be adopted where appropriate and required. In addition, for most employers an adjustment to the surplus used to reduce employer contributions below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the fall in asset values since 31 March 2022 and the challenging economic outlook. It is intended to reduce the risk of employer contributions reducing from 1 April 2023, only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation;

- 5.31~~28~~.2 retain a maximum 22-year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.32~~29~~ It may not be possible to adopt the two principles outlined in paragraph 5.28~~6~~ for ~~some or~~ all ~~of the~~ employers~~, identified in paragraphs 5.14.2, 5.14.3 and 5.14.4, although wherever possible they will be applied~~. Individual decisions may have to be taken for ~~each~~ an employer or group ~~featuring in these three groups~~ with regard to an appropriate recovery period, the level of surplus which may be used to subsidise primary rates, 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.

5.33~~30~~ The strategic aim of the Fund is to operate within a funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable as long as the requirement for contributions to be set so as to~~he~~ 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

5.34~~1~~ 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 and only surplus above a funding level of 105% as at 31 March 2022 being used to subsidise primary contributions from 1 April 2023, ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate).

Smoothing of Contribution rates for admission bodies

5.35~~2~~ 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.

5.36~~3~~ In light of strong investment performance in the six years to the 2022 valuation date and changes to the ongoing orphan and orphan exit funding targets, ~~Where~~ the Administering Authority considers that ~~it necessary to~~ relaxing the requirement that the contribution rate targets full funding for admission bodies will only be permitted in exceptional circumstances, e.g.:

5.36~~3~~.1 where there is clear evidence higher pension contributions may precipitate an employer's failure

5.36~~3~~.2 where market movements since the valuation date suggest an improved funding position which should reasonably be taken into account when setting secondary contributions in light of the future expected period of participation of the employer. ~~temporarily, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach~~.

5.37~~4~~ ~~The implication of this is that, where justified on affordability grounds~~Where~~,~~ contribution rates for admission bodies subject to the ongoing orphan funding target ~~may be~~are relaxed i.e. set at a level lower than full funding would require~~.~~

~~However, where contribution requirements have been relaxed~~, the bodies should be aware that, ~~all things being equal,~~ this ~~will~~ could 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~~deficit. 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)

5.38~~5~~ In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers/groups, as if each employer/group had its own notional sub fund within the Fund.

5.39~~6~~ 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.

5.40~~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. Investment returns are allocated on a pro rata basis with all employers subject to the same investment strategy unless otherwise agreed between the Administering Authority and the employer. The Administering Authority believes that the unitisation methodology ~~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

5.41~~38~~ Unless a subsumption arrangement is in place, where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary which assumes a stronger (more prudent) funding target than that used for calculating contributions. This is known as the orphan exit funding target. 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. In certain circumstances it may be agreed to enter into a DDA rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer. Further details of the Administering Authority's policy for exit valuations and deferred debt agreements are set out in Appendix ~~2~~1.

5.42~~39~~ Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the orphan exit funding target at each valuation. This will be achieved by notionally re-allocating assets within the Fund as required.

6. Funding Groups (pools)

Town and Parish Council Group (TPCG)

6.1 Town and Parish Councils all paid the same primary contribution rate with effect from 1 April 2020. With effect from the 2022 valuation the grouping arrangements have been extended so that all funding risks are shared in the TPCG with any gain or loss since the previous valuation shared in proportion to liabilities at the valuation date.

6.2 The TPCG includes Town and Parish Council employers under Part 2 (paragraph 2) of Schedule 2 of the Regulations which, due to being relatively small employers, benefit from being able to share risks with a wider pool. Only employers with active members or which are subject to a suspension notice, are eligible for membership of the group. A Town or Parish Council can elect to opt out of the TPCG and instead have an individual contribution rate. This option can only be made as part of a triennial valuation and will be effective from the following 1 April. An election to leave the TPCG is irrevocable.

6.3 Most employers within the TPCG will have a common recovery period for secondary contributions, which was retained as 22 years at the 2022 valuation. Where an employer in the TPCG notifies the Administering Authority of a decision to stop designating posts as being eligible for membership of the LGPS a shorter recovery period may be used.

6.4 Employers of the TPCG are not credited with individual notional asset allocations at each valuation for the purposes of setting contribution rates, as secondary contributions are certified based on the funding level of the group. If we are required to calculate a notional asset allocation for any employer in the TPCG for example on exit, the asset value will be based on the employer's estimated share of the Group's assets based on the employer's liabilities and the Group's funding level on the secure scheduled and subsumption body funding target at the effective date of the calculation.

6.5 In order to smooth the transition to the extended grouping arrangements for TPCG employers, contribution changes for individual employers to harmonise the rates payable will be stepped in over a period of up to 6 years from 1 April 2023, subject to review at the 2025 valuation.

Academies Group

6.6~~5~~ The Academies Group (AG) was created on 1 April 2022. Eligibility for the AG extends to all Academies, Free Schools and Multi Academy Trusts under Part 1 (paragraph 20) of Schedule 2 of the Regulations, which are covered by the Department for Education guarantee. This includes any academy created from a former higher or further education body.

6.7~~6~~ Employers can choose not to join the AG at the later of the date of conversion or the signing of the 2022 valuation rates and adjustments certificate. However, where a Multi-Academy Trust is treated as the scheme employer for funding purposes their decision not to join the AG will extend to all academies in the Trust, including any schools which convert in future. Employers who have joined the AG can elect to opt out of the AG in future and instead have an individual contribution rate. This option can only be made as part of a triennial valuation and will be effective from the following 1 April. An election to leave the AG is irrevocable.

6.8~~7~~ Employers within the AG will share all risks in proportion to liabilities. Subject to 6.~~9~~10 below, secondary contributions will be assessed for employers in the Group in proportion to their liabilities in the AG at the relevant valuation, using the recovery period appropriate to the Group, which was set as 22 years at the 2022 valuation and, where a surplus is being used to reduce contributions, in proportion to their pensionable payroll.

6.~~8~~9 Employers of the AG are not credited with individual notional asset allocations at each valuation for the purposes of setting contribution rates, as secondary contributions are certified based on the funding level of the group. If we are required to calculate a notional asset allocation for any employer in the AG for example on exit, the asset value will be based on the employer's estimated share of the Group's assets based on the employer's liabilities and the Group's funding level on the secure scheduled and subsumption body funding target at the effective date of the calculation. For the purpose of calculations under FRS102/IAS19, the notional asset allocation will be based on each academy's share of the AG's assets at the (funding) valuation date pro rata to their liabilities on the secure scheduled and subsumption body funding target.

6.~~9~~10 In order to smooth the introduction of the grouping arrangements, contribution changes for individual employers to harmonise the rates payable will be stepped in over a period of up to 6 years~~,~~ from 1 April 2023, subject to review at the 2025 valuation. Any new academies joining the Group will pay the grouped rate from conversion.

7 Link to investment policy set out in the Investment Strategy Statement (ISS)

~~6~~7.1 The Administering Authority sets its investment strategy with the aim of delivering the optimal balance of risk and return in light of its risk appetite, the Fund's membership and employer profile, and noting the statutory nature of the benefits and the principal employers. 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,~~ taking ~~which takes~~ into account the investment strategy adopted by the Fund, as set out in the ISS.

7.2 The Fund Actuary's modelling also includes allowance for expected future volatility of returns from the Fund's investment strategy. This risk-based modelling underpinning the choice of discount rates ensures consistency between the investment and funding policy and enables employers to benefit from the expected performance of the Fund's investments, including in growth assets through reduced contributions, whilst at the same time ensuring a prudent approach which recognises that future returns are not guaranteed.

67.2-. ~~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.~~

7.3~~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.~~

7.3The 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.

8~~7~~. Identification of risks and counter-measures

8~~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

8~~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:

- 8~~7~~.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)
- 8~~7~~.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility
- 8~~7~~.2.3 insufficient funds to meet liabilities as they fall due
- 8~~7~~.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- 8~~7~~.2.5 counterparty failure

8~~7~~.3 The specific risks associated with assets and asset classes are:

- 8~~7~~.3.1 equities – industry, country, size and stock risks
- 8~~7~~.3.2 fixed income - yield curve, credit risks, duration risks and market risks
- 8~~7~~.3.3 alternative assets – liquidity risks, property risk, alpha risk
- 8~~7~~.3.4 money market – credit risk and liquidity risk
- 8~~7~~.3.5 currency risk
- 8~~7~~.3.6 macroeconomic risks

8~~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.

8~~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.

87.6 If there are significant market movements between the valuation date and the date the valuation is signed off the Administering Authority, on the advice of the Actuary, will consider what allowance should be made, if any, when finalising employer contributions.

Liability risk

8.7~~7.6~~ The main risks include discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks. Some of these risks will affect the *amount* of benefit payments; others will affect the *value* of benefit payments, i.e. level of assets deemed to be required to meet those benefit payments (the funding target).

8.8~~7.7~~ The Administering Authority will ensure that the Fund Actuary investigates demographic experience at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund experience and wider evidence where needed e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigations of the Institute and Faculty of Actuaries. If the Administering Authority becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

8.9~~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.

8.10~~7.9~~ Allowance has been made for prevailing high levels of consumer price inflation in the calculation of the liabilities as at 31 March 2022 as set out in paragraph5.13 ~~5.12~~ above. If significant changes in the value of the liabilities become apparent between valuations, including inflation above the levels allowed for in the 2022 valuation, 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 a review of 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.

8.11~~7.10~~ Where it appears likely to the A~~a~~dministering A~~a~~uthority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A. Details of the Administering Authority's policy in this area are set out in Appendix 2.

Liquidity and Maturity risk

8.12~~7.11~~ 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,

- 8.12.1~~7.11.1~~ budget cuts and headcount reductions could reduce the active (contributing)~~-~~ membership and increase the number of pensioners through early retirements;
- 8.12.2~~7.11.2~~ 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 or scheduled employers establish wholly owned companies which do not fully participate in the LGPS),
- 8.12.3~~7.11.3~~ 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 or in the Fund),

- 8.12.4~~7.11.4~~ ~~scheme changes and~~ lower member contribution rates or a change in the contribution bands, ~~which may be~~ agreed as part of the ~~Scheme Advisory Board~~ cost management process or otherwise, may~~will~~ lead to lower contribution income if ~~lower member contributions which may~~ not ~~be~~ immediately matched by higher employer contributions;

- 8.12.5 ~~7.11.5~~ an increase in opt-outs and the take up of the 50/50 option (which are currently considered to be an increased risk due to current cost of living pressures~~ether on affordability grounds or to avoid tax charges~~) will reduce member contributions to the Fund.

8.13~~7.12~~ 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

8.14~~7.13~~ 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:

- 8.14.1~~7.13.1~~ The timing of any final regulations in relation to the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal age discrimination.

- 8.14.2~~7.13.2~~ The outcome of the cost management process as at 31 March 2020 (and the Judicial Review of the 2016 process)

- 8.14.3 ~~7.13.3~~ The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

- 8.14.4 ~~7.13.4~~ Redundancy early retirement provisions - Government recently consulted on proposals to control exit costs for central government employers ~~is expected to come forward with new proposals~~ but~~and~~ it is not yet clear whether the £95,000 total payment which will trigger additional controls will include pension strain costs nor whether similar provisions will be put forward for local government employers~~at the final provisions will be for the LGPS~~.

8.15 ~~7.14~~ Consultations which have been published but not yet taken forward by Government include changes relating to new Fair Deal arrangements, changes to the valuation cycle ~~(although the Administering Authority understands that the 2022 valuation is going ahead as planned)~~ and changes to the status of ~~HE/~~FE colleges~~sector employers~~. There is also uncertainty over how Government will respond to requests from Multi-Academy Trusts to consolidate their interests in a single LGPS fund. This could, have material implications for the net cashflow and maturity position of the Fund if the larger academy chains do then decide to consolidate their LGPS interests.

8.16~~7.15~~ 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

8.17~~7.16~~ These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a ~~shortfall~~deficit in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Scheme. Public sector spending challenges and inflation ~~The response to the COVID-19 pandemic~~ may have adverse consequences ~~in relation to~~ for employer finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers in financial difficulty to engage with the Fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy, as set out in Appendix 2, are met.

8.18~~7.17~~ 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~~deficit 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 and level of risk of the short term and Tier 3 employers between triennial valuations where it believes this is appropriate. In due course it will also ask the Fund Actuary to review the funding position of any deferred employers on a regular basis between triennial valuations, noting that the Regulations specifically provide for a DDA to end when the Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation (review) date.

Governance risk

8.19 ~~7.18~~ Governance risk is essentially one of communication between employer and the Fund, where, for example, an employer fails to inform the Fund of major changes, such as the letting of a contract involving the transfer of significant numbers of staff to another employer, including a wholly owned company which does not participate in the Fund, or only participates for some employees, or an admission body closing the scheme to new entrants.

8.20 ~~7.19~~ 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.

8.21 ~~7.20~~ 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.

8.22 ~~7.21~~ The Fund will monitor employers with a declining membership, and may introduce a more conservative funding strategy for such employers. It may also carry out a risk assessment in relation to employers subject to the intermediate funding target between valuations, which will offer the opportunity for further engagement with employers and a better understanding of their future financial plans.

Climate Change

8.23~~7.22~~ 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 Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Statement of compliance with the UK stewardship code for institutional investors. In relation to the funding implications, the Administering Authority and Investment Advisory Panel keeps the effect of climate change on future returns under review.

8.24~~7.23~~ The Administering Authority has commissioned scenario analysis modelling on the potential effect on funding from the Fund's Actuary which will be reported in the 2022 valuation report. This modelling is expected to meet the Government Actuary's requirements for the 2022 valuations as well as supporting the Fund's reporting under DLUHC's proposed new TCFD (Taskforce for Climate-Related Financial Disclosures) regime for LGPS funds. ~~and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required~~.

9~~8~~. Monitoring and Review

9~~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.

9~~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.

9~~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:

- 9~~8~~.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
- 9~~8~~.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits.
- 9~~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
- 9~~8~~.3.4 if there have been any significant special contributions paid into the Fund.

APPENDIX 1: Policy on New Employers, Exit Valuations and Employer Flexibilities

1. Background

1.1 This Document explains the policies and procedures of the West Yorkshire Pension Fund ("the Fund"), administered by City of Bradford Metropolitan District Council ("the Administering Authority"), in the treatment of employers including:

- considerations in respect of the participation of employers, including Admission Bodies on commencement or admission,

- the methodology for assessment of an exit payment of employers from the Fund; and

the Administering Authority's policy in relation to Deferred Debt Agreements and spreading of exit payments as permitted by Regulation 64 and 64B.

1.2 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 is intended to provide transparency and consistency for employers in relation to the calculation of assets and liabilities on admission and exit as well as use of the flexibilities within Regulation 64 and 64B.

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.

1.3 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.

1.4 The Administering Authority has an obligation to pursue all liabilities owed so any ~~shortfall~~deficit from an individual employer does not fall back on other employers.

2. New Employers

Types of Admission Body

2.1 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.

2.2 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.

2.3 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.

2.4 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 ongoing 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.

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

- There will be no notional allocation of assets from the Scheme employer to the admission body on commencement of the contract

- On admission the contractor will pay the contribution rate payable by the Scheme employer (with any monetary secondary contributions converted to a % of pay as appropriate)

- Contributions will be set at each triennial valuation (and any other time as appropriate) based on the combined funding position and primary contribution rate for the Scheme employer group/pool (i.e. there will be no separate calculation of funding position or employer contributions for the admission body)

- There will be no payment due from or to the contractor on exit, with responsibility for funding its liabilities assumed to remain with the Scheme employer unless there is a transfer to another employer.

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

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

2.8 A pooled pass through arrangement will be the default option for all new admissions under paragraph1(d) where the initial contract length is less than 5 years and there are fewer than 100 members transferring to the new admission body.

2.9 In the case where the Scheme employer itself is grouped/pooled for funding purposes, contractors will generally participate in the same group as the Scheme employer, other than where it is determined that this is not appropriate, e.g. to protect the other employers in the Group. On cessation of an Admission Body for which a pass through arrangement is in place, the subsumed liabilities will be assumed to be subsumed by the Scheme employer (and its group/pool where appropriate) but not by any unconnected employers in the AG or TPCG.

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

2.10 Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to a new employer, whether an admission body or otherwise, will be re-charged to the employer. These costs will include, where appropriate, the cost of actuarial advice relating to any risk assessment required under the Regulations (see next section).

3. Bonds, Indemnities and Guarantees

3.1 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.

3.2 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.

3.3 Where, for any reason, it is not desirable for a 1(d)(i) admission body to enter into an indemnity or bond the admission body must secure a guarantee from the

Scheme employer. In the event of unfunded liabilities on the termination of the admission, the Scheme employer's contribution rate to the Fund would be revised accordingly. In most cases it is expected that the Scheme employer will provide a subsumption commitment whereby the assets and liabilities of the outgoing admission body post-exit are "subsumed" into the Scheme employer's liabilities and notional pool of Fund assets.

3.4 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.

3.5 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.

3.6 When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

3.7 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~~deficit would normally fall on the employers pro-rata to their liabilities in the Fund. Unless the ~~shortfall~~deficit amount were material, the allocation of the ~~shortfall~~deficit 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.

4. Funding Target

4.1 The funding target for a new employer depends upon what will happen to the liabilities in respect of the employees of the employer on exit of that employer.

4.2 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 adopt a Funding Target (comprising the relevant Solvency Target, Probability of Funding Success and Trajectory Period) in line with that adopted for the subsuming employer.

4.3 Scheduled Bodies

New academies are currently considered to qualify as indefinite participants in the Fund with full taxpayers backing, as they have a guarantee from the Department for Education. As such the Funding Target adopted is in line with that adopted for Secure Scheduled Bodies. However, this guarantee is subject to review and where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the Fund, the Administering Authority will review the approach taken to the Funding Target for new academies and any admission bodies for which an academy provides a subsumption commitment and also the default approach taken to the notional assets transferred to academies upon conversion.

For any new scheduled bodies joining the Fund, the Administering Authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter, the likelihood of new members joining the Fund
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

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

4.4 Orphan liabilities

4.4.1 Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, or a Deferred Debt Agreement ends, 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.

4.4.2 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. From 1 February 2022, to give effect to this, the Administering Authority will seek funding from the outgoing employer which allows for a more prudent solvency target and gives the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy.

4.4.3 Ongoing calculations for deferred employers (i.e. those where a Deferred Debt Agreement has been put in place), and employers subject to the ongoing orphan funding target will be carried out using assumptions which are intended to broadly target the eventual exit position.

5. Initial notional asset transfer

5.1 When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets may be needed from the original employer to the new employer.

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

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

5.4 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.

5.5 Where the new employer will participate in a pool of employers, for example where a ~~multi-~~new academy ~~trust has requested that its academies~~ will be included within the Academies Group~~be treated as a single employer~~, the notional asset transfer would be to the relevant pool of employers.

5.6 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. Additional notional assets will be transferred:

- as an approximate allowance for the potential liabilities arising from the McCloud judgement remedy~~, equal to 0.9% of liabilities upon commencement~~.
- in respect of confirmed changes to GMP indexation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.

However, for new employers joining after 31 March ~~2019~~ 2022 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~~ 2022 (see paragraph 8.14 ~~7.13~~ ~~above~~of the Funding Strategy Statement) are resolved.

6. Employer Contribution Rate

6.1 Initial Rate

6.1.1 When a new employer joins the Fund, unless a pass through approach is in place where the employer will pay the same contribution rate as the Scheme employer, the Fund's Actuary determines the initial employer contribution rate payable.

6.1.2 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.

6.1.3 When a new academy converts and joins ~~a~~ the ~~multi–academy trust (MAT)~~ Academies Group~~where a single contribution rate applies~~, it will generally pay the ~~a minimum of the employer's contribution~~ Academies Group contribution rate~~rate applicable to the MAT until the next triennial Actuarial Valuation at which time the contributions for the MAT will be reviewed~~. However, ~~W~~where the new academy is joining a multi-academy trust ~~material relative to the~~ (MAT), and the MAT is paying different contributions to the ~~the contributions for the MAT may be reviewed under Regulation 64A~~Academies Group due to phasing in of contribution changes, the new academy will pay contributions in line with those being paid by the MAT until contributions are reviewed at the next triennial Actuarial Valuation, or earlier if required and permitted by the Fund's strategy. ~~Where the new academy is not material, the MAT may elect to increase contributions for all employers in the MAT 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.~~

6.1.4 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.

6.2 Review of Employer Contribution Rates

6.2.1 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.

6.2.2 The employer contributions payable by employers may also be reviewed outside of the triennial Actuarial Valuations where:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Details of the Fund's policy on reviewing employer contributions under these provisions are set out in Appendix 2.

6.2.3 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.

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

7.Cessation of participation, Deferred Debt Agreements and Exit Payments

7.1 An employer ~~ing authority~~ can cease participation in the following circumstances:

- an active employer ceases to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or has no active members contributing to the Fund and does not enter into a Deferred Debt Agreement,

- a deferred employer ceases to participate where the Deferred Debt Agreement ends.

7.2 Where participation ceases, an exit 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.

7.3 The assumptions adopted to value the departing employer's liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) 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 allow for a more prudent solvency target and give the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy. 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~~deficit emerges in relation to these liabilities after the exit date.

7.4 For subsumed liabilities the Administering Authority's policy is that the funding target for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body, updated for financial conditions at the exit date.

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

7.6 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. Any ~~shortfall~~deficit 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.

7.7 For exits where the calculations are undertaken on or after the date this statement comes into force, the following refinements will be made to the approach at the 2022~~19~~ funding valuation:

- the ~~approximate~~ allowance ~~will be~~ made for the potential liabilities arising from the McCloud judgement remedy will be refined as required once the final remedy is known and as the data required to accurately assess any additional liabilities becomes available ~~, equal to 0.6% liabilities upon exit, plus 0.7% of assumed salary over the period from 2019 valuation to the date of exit~~
- the allowance for short-term inflation above the long-term assumption underpinning the orphan exit funding target will be reviewed and updated on the advice of the Fund Actuary
- ~~allowance will be made for the confirmed changes to GMP indexation equalisation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.~~

However, the Administering Authority will not seek to recalculate the exit liabilities for exits where the exit deficit (or credit) has already been paid as at the date this statement comes into effect.

7.8 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.

7.9 However, where agreed between the parties the deficit (or any exit credit) 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 or pay an exit credit. Where the guarantee only covers the exit deficit, i.e. it does not extend to subsumption of the exiting employer's assets and liabilities, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

7.10 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.

7.11 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.

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

8. Exit payments

8.1 Any deficit would normally be levied on the departing employer as a single capital payment although, the Administering Authority may, allow phased payments as permitted under Regulation 64B. The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64B is set out below.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage/consult with the employer to consider its application and determine whether or not spreading the exit payment is appropriate and the terms which should apply

8.2 In determining whether or not to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

8.3 In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

8.4 The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

8.5 In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be three years but longer periods of up to ten years will be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

8.6 Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that a final decision by the employer (and the Administering Authority) on whether this will be financially beneficial/appropriate may not be possible until the employer has exited. Exiting employers will be advised of the exit deficit and the spreading of any payment will only be considered at the request of the employer. Where there is a guarantor, the guarantor will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

8.7 The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level quarterly amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

8.8 Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period; the annual payments due; interest rates applicable; other costs payable* and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision.

*Employers will be asked to pay all advisory costs associated with the spreading agreement as well as calculation of the exit deficit (these costs will not be spread).

8.9 The Administering Authority will generally review spreading agreements as part of its preparation for each triennial valuation and will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the Administering Authority during the spreading period and adhere to the notifiable events framework as set out in the Pensions Administration Strategy. If the Administering Authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The Administering Authority will seek actuarial advice in relation to whether or not there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

9. Exit Credits

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

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

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

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

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

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

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

10 Multi-academy trusts

10.1 Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering Authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities.

10.2 Where the MAT participates in the Academies Group t~~T~~he Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of the exiting academy in the ~~f~~Fund at the date of exit in order to assess the effect of its failure on the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAT) are aware of~~to~~ the extent of these liabilities. The Administering Authority may also direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT if this is considered necessary to protect the other employers in the Academies Group. The contribution rate for the MAT may be adjusted at the next triennial Actuarial Valuation, or earlier if considered material and the circumstances meet the criteria for a review of contributions under Regulation 64A - see Appendix 2 for details of the Administering Authority's policy in this area.

10.2 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~~deficit 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 but those assets and liabilities will be tracked separately from the Academies Group in order to protect the other employers within the Academies Group.

10.3 It is expected that the establishment of the Academies Group will simplify the funding approach for academies and MATs. However, actuarial calculations may still be required in relation to academies or MATs which do not participate in the Academies Group. For example, w~~W~~here such 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 liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the 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.

10.4 Where an academy moves to a MAT which does not participate in the Fund, unless otherwise advised by the Fund Actuary, or required by a Direction Order, ~~T~~the assets to be transferred will ~~in each case will~~ be calculated as the liabilities of the transferring academy (calculated on the ongoing funding target) multiplied by the funding level of the Academies Group. (capped at 100%).

11. Suspension notices

11.1Regulation 64(2A) 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. For the avoidance of doubt, when a Town and Parish Council exits the Fund their liabilities will become orphan rather than being subsumed by the Town and Parish Council Group.

12. Deferred Debt Agreement (DDAs)

12.1 Regulation 64(7A) permits the Administering Authority to enter into a written agreement with an exiting Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a deferred debt agreement").

12.2 The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64(7A) is set out below.

In determining whether or not to enter into a DDA with an employer the Administering Authority will take into account the following factors, including but not limited to:

- the materiality of the employer and any exit deficit in terms of the Fund as a whole;
- the risk to the Fund of entering into a DDA, in terms of the likelihood of the employer failing before the DDA has ended, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser
- the rationale for the employer requesting a DDA, particularly if the Administering Authority believes it would be able to make an immediate payment to cover the exit deficit; and
- whether an up-front payment will be made towards the deficit, and/or any security is, or can be put, in place, including a charge over assets, bond, guarantee or other indemnity, to reduce the risk to other employers.

12.3 Where it is expected that the employer's covenant may materially weaken over time the Administering Authority is very unlikely to consider entering into a DDA with that employer. Further, where an employer can demonstrably meet the exit payment in a single instalment, the Administering Authority would be unlikely to enter into a DDA unless it was clear that this wouldn't increase risk to the Fund, e.g. if the employer was fully taxpayer-backed and sufficient assurance was in place that all contributions due, including any residual deficit at the end of the DDA, would be met in full.

It is envisaged that DDAs will only be entered into at the request of an employer. In any case the Administering Authority will engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches

12.4 Employers should be aware that all advisory fees incurred by the Fund associated with a request for a DDA, whether or not this results in an agreement being entered into, and its ongoing monitoring, will be recharged to the employer.

12.5 The Administering Authority has a template agreement for DDAs, which it will require employers (and any guarantors) to sign up to. The matters which the Administering Authority will reflect in the DDA, include:

- an undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- a provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- a provision that the DDA will terminate on the first date on which one of the following events occurs-

(a) the deferred employer enrols new active members;

(b) the period specified, or as varied, elapses;

(c) the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;

(d) the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or

(e) the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.

- the responsibilities of the deferred employer
- the circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above.

It is expected that the consultation process with the employer will include discussions on the precise details of the DDA, although the purpose of developing a template agreement is to make the process easier, quicker and cheaper and therefore it is not envisaged that there will be material changes to the Administering Authority's template.

12.6 The Administering Authority will monitor the funding position and risk/covenant associated with deferred employers on a regular basis. This will be at least triennially and most likely annually, but the frequency will depend on factors such as the size of the employer and any deficit and the materiality of movements in market conditions or the employer's membership.

12.7 The circumstances in which the Administering Authority may consider seeking to agree a variation to the length of the agreement under regulation 64(7D) include:

- where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund
- where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the Administering Authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer’s ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months

- where the level of security available to the Fund has changed in relation to the DDA, as determined by the Administering Authority, taking legal, actuarial or other advice as appropriate

12.8 At each triennial valuation, or more frequently as required, the Administering Authority will carry out an analysis of the financial risk or covenant of the deferred employer, considering actuarial, covenant, legal and other advice as necessary. Where supported by the analysis and considered necessary to protect the interests of all employers, the Administering Authority will serve notice on the deferred employer that the DDA will terminate on the grounds that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially, or is likely to weaken materially in the next 12 months, as set out under regulation 64(7E)(d).

12.9 Employers should be aware that all advisory fees incurred by the Fund associated with consideration of a DDA for an exiting employer, whether or not this results in a DDA being entered into, will be recharged to the employer. This will include actuarial, legal, covenant and other advice and the costs of monitoring the arrangement as well as the initial set up. Estimated costs can be provided on request. All fees must be paid up front and cannot be added to any secondary contributions payable under the DDA.

12.10 It is expected that employers will make a request to consider a DDA before they would otherwise have exited the Fund under Regulation 64(1) and that a DDA should be entered into within 3 months of that date. The employer should continue to make secondary contributions at the prevailing rate whilst the DDA is being considered unless the Administering Authority, having taken actuarial and other advice as appropriate, determines that increased contributions should be payable. In exceptional circumstances, e.g. where there has been a justifiable delay due to circumstances outside of the employer's control, and at the sole discretion of the Administering Authority, a DDA may be entered into more than 3 months after the exit date.

12.11 Deferred employers will be expected to engage with the Administering Authority during the period of the DDA and adhere to the notifiable events framework as set out in the Pensions Administration Strategy as well as providing financial and other information on a regular basis. This will be necessary to support the effective monitoring of the arrangement and will be a requirement of the DDA.

13. Responsibilities of employers in the Fund

13.1 Individual employers, whether active or deferred, Multi Academy Trust or the Department for Education will pay for any legal and actuarial costs incurred by the Fund on their behalf.

13.2 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.

13.3 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, regardless of whether or not that company will participate in the Fund
- merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
- an application by a 6th form college to become a 16-19 academy, including whether successful or not
- a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
- a large scale redundancy exercise which could materially reduce the employer's active membership
- any intervention by, or voluntary undertaking provided to, the appropriate regulator

13.4 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 2: Policy on reviewing Employer Contributions between Triennial Valuations

1. Background

1.1 This Document explains the policies and procedures of the West Yorkshire Pension Fund ("the Fund"), administered by City of Bradford Metropolitan District Council ("the Administering Authority"), in relation to any amendment of employer contributions between formal valuations as permitted by Regulation 64A.

1.2This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement. It is intended to provide transparency and consistency for employers in use of the flexibilities within the Regulations.

1.3 The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

For the avoidance of doubt, the Administering Authority will not consider a review of contributions purely on the grounds of a change in market conditions affecting the value of assets and/or liabilities.

2. Factors used to determine when a review is appropriate

2.1 In determining whether or not a review should take place, the Administering Authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example whether this is the result of a decision by the employer, such as the restructuring of a Multi-Academy Trust, a significant outsourcing or transfer of staff, closure to new entrants, material redundancies or significant pay awards, or other factors such as ill-health retirements, voluntary withdrawals or the loss of a significant contract

- the materiality of any change in the employer's membership or liabilities, taking account of the Actuary's view of how this might affect its funding position, primary or secondary contribution rate
- whether, having taken advice from the Actuary, the Administering Authority believes a change in ongoing funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, or other form of indemnity in relation to the employer's liabilities in the Fund

- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser to the Fund

- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pensions Administration Strategy Statement and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time and data quality issues due to failure to provide new starter or leaver forms

3. Assessment of the risk/impact on other employers

3.1 In determining whether or not a review should take place, the Administering Authority will generally focus on the materiality of any potential changes in the context of the employer concerned; its financial position and current contribution levels. As a matter of principle, the Administering Authority does not consider that a review is not justified just because an employer is small in the context of the Fund as a whole, noting that failure to act could make discussions at the next formal valuation more difficult and compound the risk to the Fund. However, in determining the extent and speed of any changes to the employer's contributions the Administering Authority will consider the effect on the overall funding position of the Fund, i.e. other Fund employers.

3.2 Where contributions are being reviewed for an employer with links to another Fund employer, particularly where this is a formal organisational or contractual link, e.g. there is a tripartite admission agreement, an ownership relationship or a formal guarantee or subsumption commitment is in place, the Administering Authority will consider the potential risk/impact of the contribution review on those other employer(s), taking advice from the Fund Actuary as required.

4. Employer involvement and consultation

4.1 It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

The requirements on employers to inform the Fund of certain events are set out in the Pensions Administration Strategy.

4.2 In other cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. In all cases the Administering Authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related/linked employer in the Fund and the proximity to the next formal valuation.

4.3 Where, following representations from the employer, the Administering Authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the Administering Authority will consult with any related/linked employers (including any guarantor or employer providing a subsumption commitment) and, where appropriate, the largest employers in the Fund with a view to seeking their agreement to this approach.

5. Process for requesting a review

5.1 Before requesting a review, employers should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should contact WYPF’s Technical Services Manager and complete the necessary information requirements for submission to the Administering Authority in support of their application.

5.2 The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. Employers should be aware that all advisory fees incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

6. Other considerations

6.1 The Administering Authority will carry out an annual assessment of the risk for Tier 3 employers and any others as considered appropriate. This will help identify whether a contribution review is required and is expected to be carried out as at 30 September with any contribution changes effective from the following 1 April.

6.2 More generally, the Administering Authority may carry out a review at any time during the valuation cycle where it becomes aware that a review is required. In such cases the employer will be expected to provide the requested information within one month of request and the review will be completed within 6 weeks of the provision of all requested information, or completion of the risk/covenant assessment if later.

6.3 The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the Administering Authority will also take into account the timing of contribution changes flowing from the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12-month period from the valuation date although if there were any material changes to the expected liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate flowing from the valuation.

6.4 Any appeal against the administering authority's decision must be made in writing to WYPF Director within 6 months of being notified of the decision.

An appeal will require the employer to evidence one of the following:

- a deviation from the published policy or process by the administering authority, or
- Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Administering Authority.

Report of the Managing Director – West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023

Appendix B - FSS

Report of the Managing Director – West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023

Appendix B - FSS

Subject: Consultation on updates to West Yorkshire Pension Fund Funding Strategy Statement (FSS)

Summary statement:

The Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to takes as part of the 2022 valuation exercise.

EQUALITY & DIVERSITY:

None

Euan Miller
Managing Director - WYPF

Portfolio:

Report Contact: Caroline Blackburn
Head of Employer Services and Compliance
Phone: 07790353179
E-mail: caroline.blackburn69@gmail.com

Overview & Scrutiny Area:

1. SUMMARY

1.1 The Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to take as part of the 2022 valuation exercise.

2. BACKGROUND

2.1 The updates to the Funding Strategy Statement that were consulted on are:

- Due to the short term inflationary pressure at the 2022 valuation an adjustment of 10% be added to the liabilities for all funding targets. (This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions. (See point 5.12 of the FSS))
- Details of the discount rates, probability of funding success and trajectory periods for the 2022 valuation. (see point 5.15 pf the FSS)
- For the majority of employers an adjustment to any surplus used to reduce the contributions to below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the fall in asset values since 31 March 2022 and the challenging outlook. It is intended to reduce the risk of an employer's contributions reducing from 1 April 2023 only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation. (see point 5.21 of the FSS)
- The introduction of two groups or pools of employers for funding purposes:
    - Town and Parish Councils and,
    - Academies Groups

  References to how this would work are made throughout the document.

2.2 A copy of the draft Funding Strategy Statement with the changes tracked to aid reference is shown at Appendix A.

2.3 In order to support the Academies in understanding the introduction of pooling for funding purposes, all academies were invited to an information session with the Fund and Fund Actuary on 18 October. A recording of the session was also circulated to all Academies after the event.

2.4 The FSS consultation exercise commenced on 18 November and ran until 31 December 2022. A copy of all the responses received from the consultation exercise is provided at Appendix B.

2.5 In accordance with the Local Government Pension Scheme Regulations (LGPS 2013):

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

appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

None

7. OTHER IMPLICATIONS

None

7.1 SUSTAINABILITY IMPLICATIONS

None

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.3 COMMUNITY SAFETY IMPLICATIONS

None

7.4 HUMAN RIGHTS ACT

None

7.5 TRADE UNION

None

7.6 WARD IMPLICATIONS

None

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

None

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9 RECOMMENDATIONS

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

- Appendix A – Draft Funding Strategy Statement circulated to all Stakeholders with tracked changes for ease of reference.

- Appendix B – Comments received from the consultation exercise on the principles and approaches included set out in the Funding Strategy Statement.