



Gwasanaeth Tân ac Achub

De Cymru

South Wales

Fire and Rescue Service



SOUTH WALES FIRE AND RESCUE SERVICE

# Statement of Accounts 2023/2024

**RAISING AWARENESS  
REDUCING RISK**

This document is also available in Welsh

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## NARRATIVE REPORT

The purpose of this narrative is to explain the structure of the accounts, briefly describe the activity and structure of the South Wales Fire and Rescue Authority and consider the overall financial position in the current economic context.

The annual Statement of Accounts is a publication required by law; the prime purpose of which is to provide clear information about the financial position, performance, and accountability of resources for the financial year.

The accounts for 2023/2024 consist of the following;

### Statement of Responsibilities for the Statement of Accounts

This sets out the respective responsibilities of the Authority and its officers for the preparation and approval of the Statement of Accounts.

### Annual Governance Statement

This statement provides a continuous review of the effectiveness of the Authority governance framework including the system of internal control and risk management systems, to give assurance on their effectiveness and to produce a management action plan to address identified weaknesses.

Comprehensive Income and Expenditure Statement (CIES) – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Local Authorities raise taxation to cover expenditure in accordance with regulations which may be different from the accounting cost. Even though this Authority / Commissioners does not raise income related to tax, local authority accounting regulations stipulate these accounts are prepared accordingly.

Movement in Reserves Statement (MiRS) – This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and other, non-usable reserves. The Total Comprehensive Income & Expenditure Statement line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund and the Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund before any discretionary transfers are undertaken.

Balance Sheet – The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves includes reserves that hold unrealised gains and losses (e.g. 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 MiRS line, 'adjustments between accounting basis and funding basis under regulations.

Cash Flow Statement - The Cash Flow Statement shows the change in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority 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 Authority are funded by way of grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority 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 Authority.

Fire Fighters Pension Fund Account – This shows the financial position of the Fire Fighters pension fund account, indicating whether the Pension Fund owes, or is owed money by the Welsh Government to balance the account, together with details of its net assets. The Account consolidates the 1992, 2006, 2015 and Retained Modified Firefighter Pension Schemes.

Notes to the accounting statements - The notes present information about the basis of preparation of the financial statements and the specific accounting policies used. They disclose information not presented elsewhere in the financial statements that are relevant to an understanding of them.

### **Reporting, Audit and Materiality**

These accounts are produced in draft to meet the initial 31 May financial reporting deadline for the year ending 31 March each year. From 1 June the accounts undergo a process of audit to determine whether they provide a true and fair view of the financial performance and position of the Authority / Commissioners. The deadline for reporting and approving the audited accounts by the Fire & Rescue Authority is 31 July.

The audit process is important in providing an objective and expert opinion on the state of the accounts and in doing so, auditors employ the concept of materiality in reporting any departures from accepted accounting principles and regulation. The concept of materiality means that financial information is material to the financial statements if it would change the opinion or view of the reader.

### **South Wales Fire and Rescue Authority**

South Wales Fire and Rescue Authority are responsible for providing an efficient and effective fire and rescue service to the communities of South Wales. The Authority covers 10 unitary Authority areas and until 5 February 2024 was made up of 24 elected members drawn from those authorities in proportion to the number of registered electors. From 6 February 2024 the governance functions of the existing Fire Authority were transferred to four appointed Commissioners.

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is largely financed by contributions from the 10 constituent local authorities. For 2023/24, the proportions were as follows:

	<b>Values £000</b>	<b>%</b>
Blaenau Gwent County Borough Council	3,953	4
Bridgend County Borough Council	8,523	10
Caerphilly County Borough Council	10,381	12
Cardiff County Council	21,199	24
Merthyr Tydfil County Borough Council	3,476	4
Monmouthshire County Council	5,472	6
Newport County Borough Council	9,242	10
Rhondda Cynon Taff County Borough Council	13,942	15
Torfaen County Borough Council	5,409	6
The Vale of Glamorgan Council	7,778	9
<b>Total</b> (note 29)	<b>89,375</b>	<b>100</b>

### Financial Performance in 2023/24

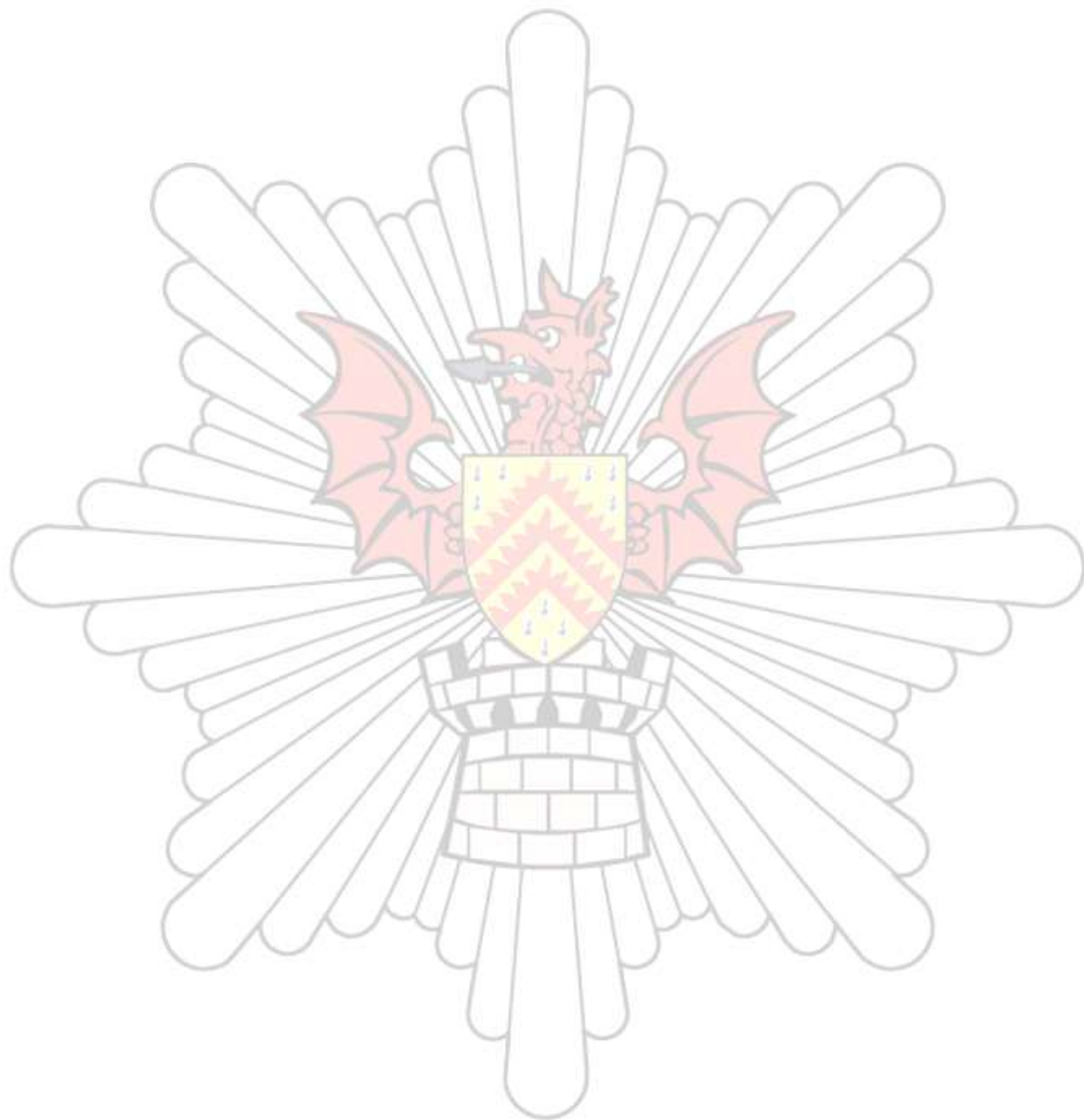
A significant underspend in 2021/22 allowed the Authority to restrict the 2022/23 budget uplift to 2.29%. This was a challenging settlement considering the UK inflation crisis that transpired between budget setting and the beginning of financial year. This was also a short-term strategy and the 2023/24 average settlement of 12.7% sought to address said inflationary pressures in addition to changes in external funding i.e. withdrawal of £2.9 million Pension Scape grant and £600k FireLink funding. The withdrawal of external funding added a 4.5% increase on what would have been an 8.2% settlement on a like for like basis.

A combination of effective budget management and capacity constraints have helped mitigate the impact on financial reserves.

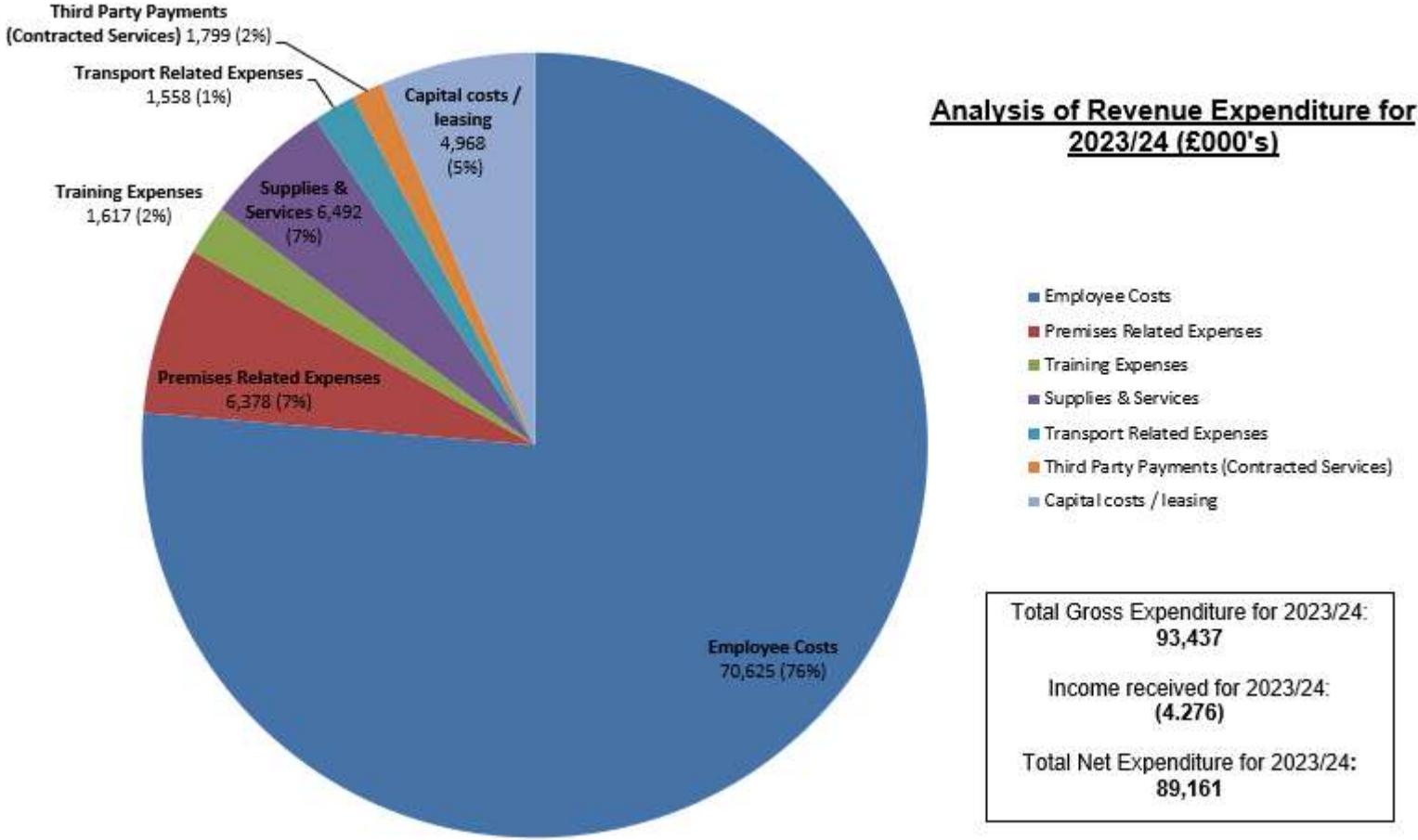
The financial performance is presented below. Both the revenue and capital positions have been scrutinised by the Finance, Audit and Performance Management (FAPM) Committee and the Finance and Asset Management Scrutiny Group throughout the year.

<b>Budget Outturn</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Revenue</b>			
Expenditure (note 5)	90,412	93,437	3,025
Income (note 5)	(1,037)	(4,276)	(3,239)
Net Expenditure (note 5)	89,375	89,161	(214)
Unitary Authority (note 29) Contributions	89,375	89,375	0
(Surplus) /Deficit	0	(214)	(214)

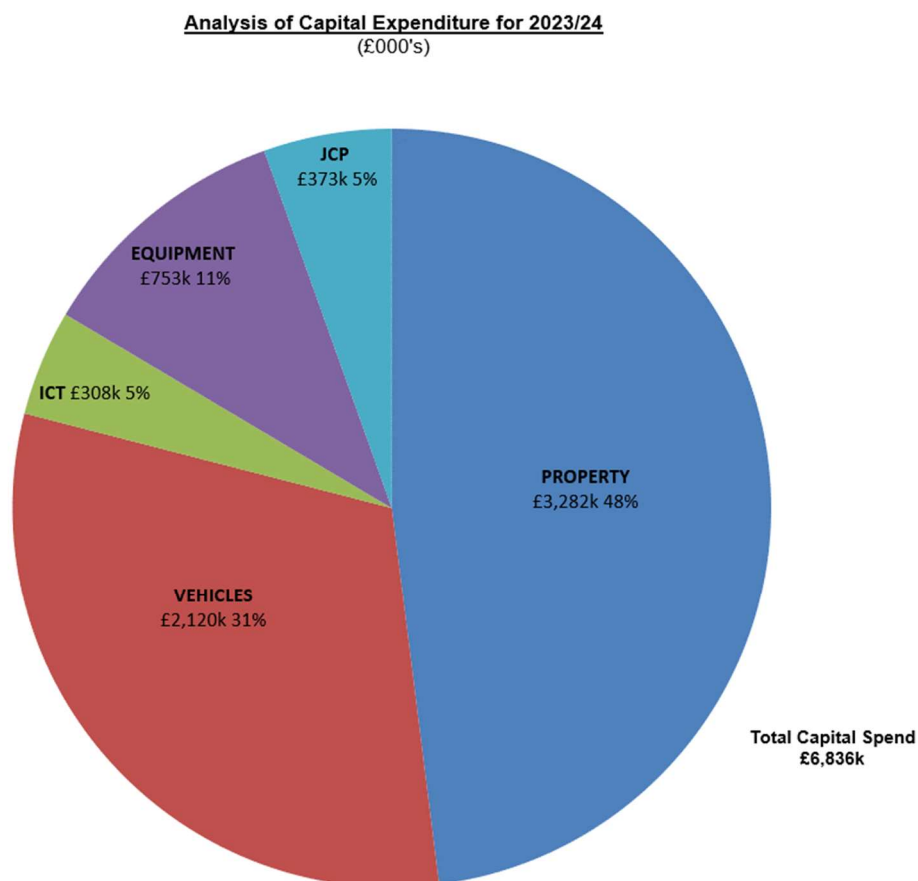
<b>Capital</b> (inc slippage)			
Capital Spending (note 30)	16,455	6,836	(9,619)



Expenditure by type 2023/24



Capital expenditure in the year amounted to £6.8 million



### Borrowing

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer (RFO) deeming it to be prudent, sustainable, and affordable. Loans outstanding relate to finance secured with the Public Works Loans Board (PWLB). In accordance with its Treasury Management Strategy the Authority / Commissioners has continued to utilise cash balances to fund the capital programme therefore no PWLB loans were taken out this year.

### Charges for Consumption of Capital Assets

The charge made to the service revenue account to reflect the cost of fixed assets used in the provision of services was £8.3 million. This is a notional charge for depreciation and impairments, an adjustment is made to nullify the effect on the general fund balance.

### Non-Financial Performance in 2023/24

In 2023/24 the Authority successfully delivered a balance of prevention, protection, and emergency response services, with the improvement objectives for the year continuing to be aimed at reducing deliberate fire setting and improving and ensuring the future sustainability of the Service.

The Finance Audit and Performance Management Committee regularly received reports on service performance and indicators as well as scrutinising the progress report cards against each of the strategic objectives.

The following link highlights some of the activity in making South Wales safer in the past twelve months - [Performance Statistics - South Wales Fire and Rescue Service](#)



More qualitative service information is available in the Annual Governance Statement contained within this statement.

### **Future Financial Plans**

On 12 February 2024, Commissioners chose to confirm revenue budget proposals with an average increase of 7.23%. This figure represents the higher of two scenarios outlined in the consultation with Councils, taking the annual budget to £95.8 million. Welsh Government indicated funding for increased firefighter pension costs will again be channelled to Councils rather than directly to the Service and it was on this basis the settlement rose from 5.82% to 7.23%.

The medium-term financial strategy assumes steadier inflationary burdens from 2025/26 onwards, although increased budget pressures are expected from change and transformation work to deliver on the Morris report recommendations and the terms of reference of the South Wales Fire and Rescue Service Commissioners.

Long term capital planning continues with investment in our asset portfolio, i.e. stations, vehicle replacement programme, operational equipment projects, PPE, and ICT. 2023/24 marked a step change in the funding, planning and administration arrangements for strategic equipment replacement plans. A new reserve has been set up to fund the change. Our continued investment is critical in ensuring our personnel have the best equipment available and are effective in serving our communities.

### **Pension liability**

In 2023/24, there were 27 whole-time duty system (WDS) and 10 retained staff retirements and 9 deferrals.

Under International Accounting Standard (IAS) 19 (Employee Benefits) the Authority / Commissioners is required to provide details of assets and future liabilities for pensions payable to employees, both past and present. This is outlined in greater detail in the disclosures to the accounts (note 34).

### **Reserve Accounting**

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2023/24. This is consistent with the accounting treatment of previous years, with the maintenance and utilisation of reserves forming a cornerstone of corporate financial stability and operational service planning in the short and medium term.

### **Impact of the Current Economic Climate**

Various supply chains continue to challenge the Service and our inability to attract competitive suppliers in procurement processes continue, in particular areas. We continue with flexible pre-contracting and collaborative approaches to contract management with stakeholders. Regular supply chain impact analysis is continuing and links with our National Fire Chief Council (NFCC) network are vital in sharing information nationally to gain understanding.

The Service is continuing its support of national charities, i.e. Fire Aid, who in turn provide support to our firefighting counterparts in Ukraine with donations of end-of-life personal protective equipment (PPE), operational and communications equipment.

### **Additional Information**

Additional information about these accounts is available from the Head of Finance, Procurement and Property. Interested members of the public also have a statutory right to inspect the accounts

before the audit is completed. Availability of the accounts for inspection is advertised on the website for the Authority ([www.southwales-fire.gov.uk](http://www.southwales-fire.gov.uk)).

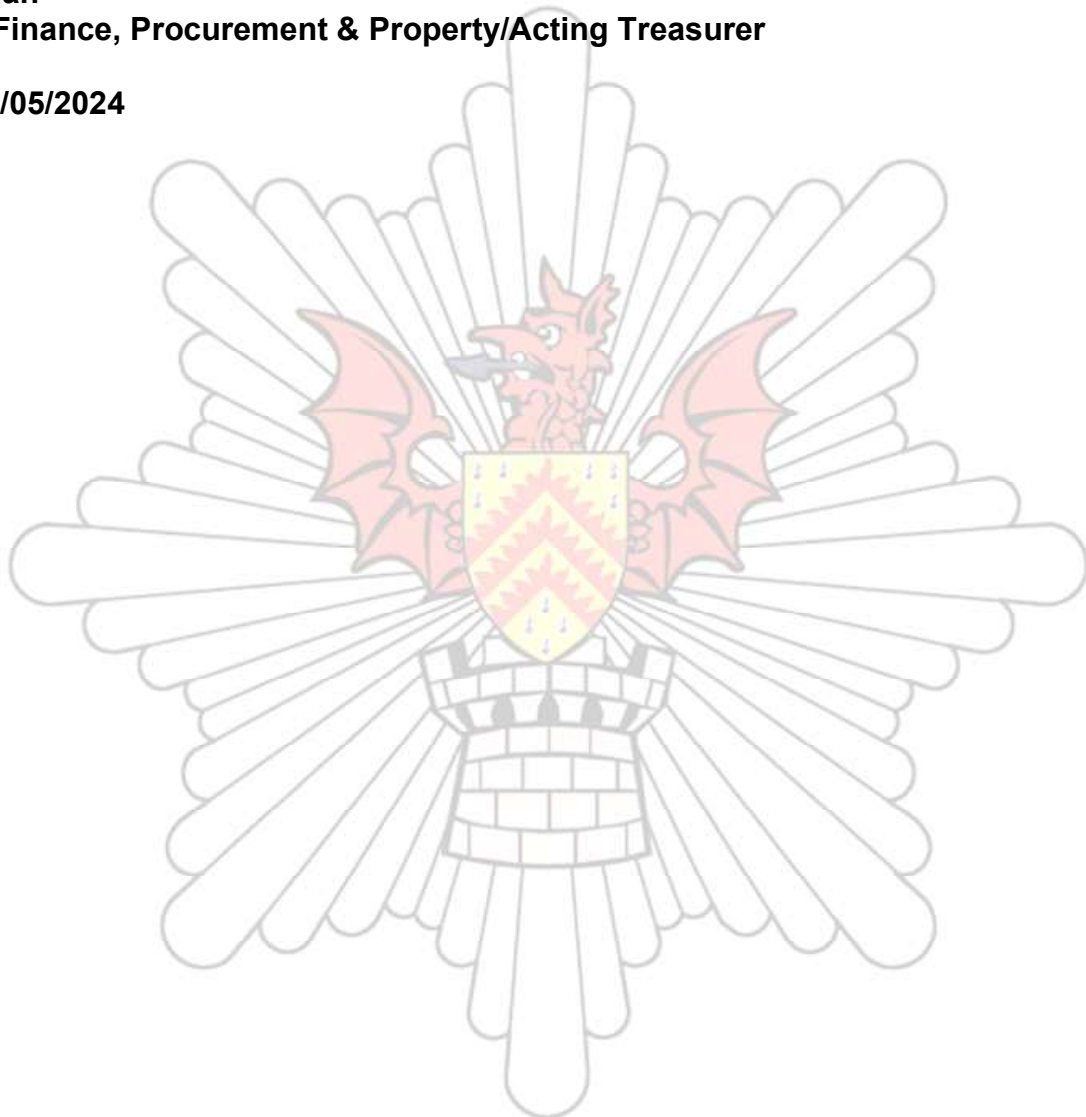
### **Acknowledgements**

Finally, I wish to thank Finance personnel and our key partners and colleagues throughout the organisation who have either worked on the preparation of these statements or fed into the process.



**Lisa Mullan**  
**Head of Finance, Procurement & Property/Acting Treasurer**

**Dated:31/05/2024**



## STATEMENT OF RESPONSIBILITIES

### The Authority / Commissioners Responsibilities

The Authority / Commissioners is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Service, that officer is the Treasurer.
- to manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

### The Treasurer's Responsibilities

The Treasurer is responsible for the preparation of the Commissioners Statement of Accounts, including the Pension Fund Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code").

In preparing this statement of accounts, the Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Treasurer has also:

- kept proper accounting records, which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.


### CERTIFICATE OF THE TREASURER & COMMISSIONERS

I certify that the accounts provide a true and fair view of the financial position of the Authority / Commissioners as at the 31 March 2024 and its income and expenditure for the year then ended.

Signature:   
**Lisa Mullan**  
**Acting Treasurer**

**Date: 26/09/2024**

I confirm that these accounts were approved by the Commissioners;

Signature:   
**Carl Foulkes**  
**Commissioner**

**Date: 26/09/2024**

## ANNUAL GOVERNANCE STATEMENT YEAR ENDING MARCH 2024

This Statement has been prepared in accordance with guidance produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) - the “Delivering Good Governance Framework.” This Annual Governance Statement explains how the Authority has complied with the framework and its seven core principles of good governance to ensure that resources are directed in accordance with agreed policy and agreed priorities. (See Fig.1)

### **Relationships between the Seven Principles for Good Governance in the Public Sector - Achieving the intended Outcomes While Acting in the Public Interest at all times.**

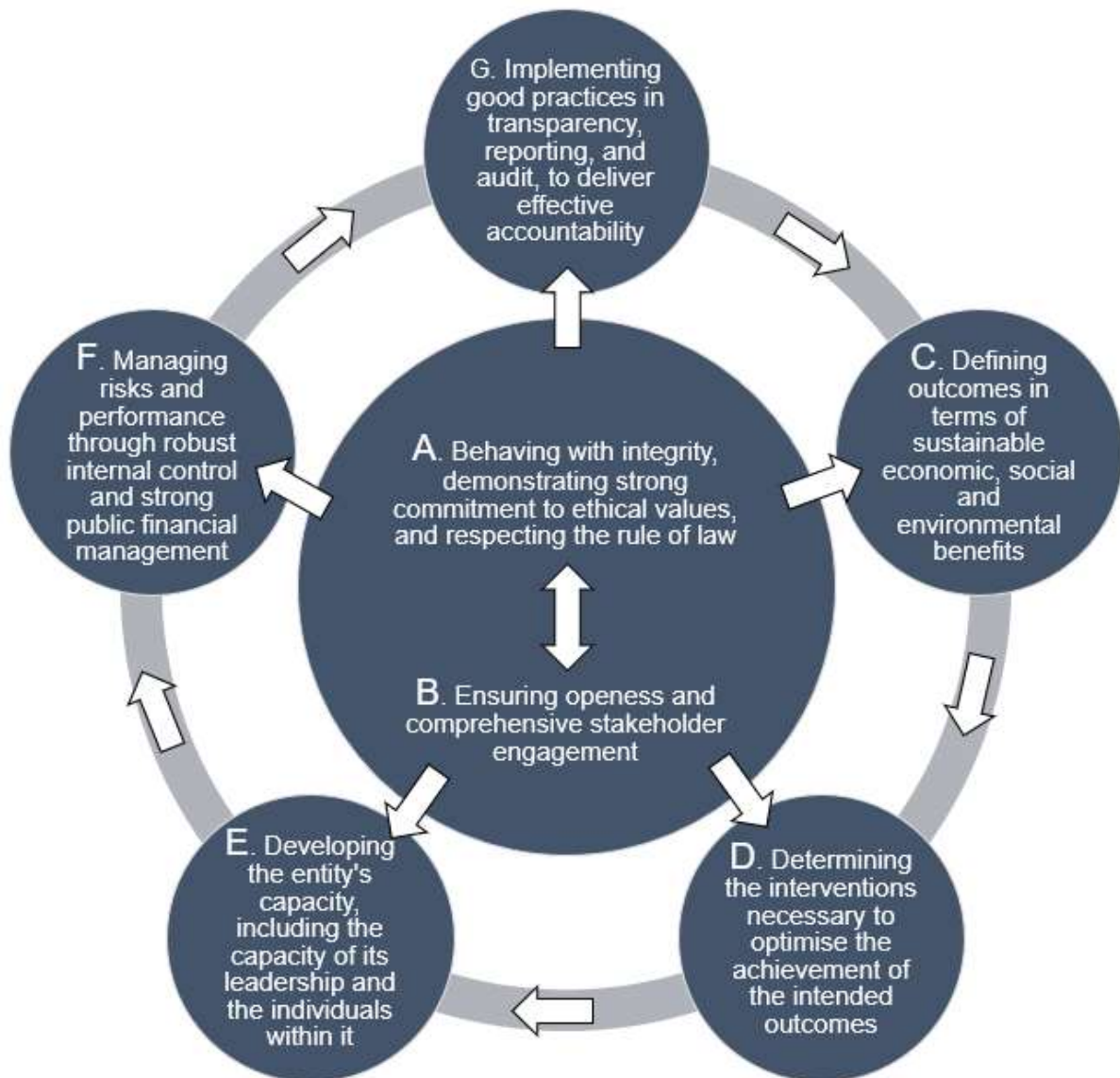




Fig. 1 Seven Principles of Good Governance

## 1. Scope of Responsibility

South Wales Fire & Rescue Authority (SWFRA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. SWFRA 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, having regard to a combination of economy, efficiency, and effectiveness. In discharging this overall responsibility, SWFRA is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. The Authority covers 10 unitary Authority areas and has previously been made up of 24 elected members drawn from those authorities in proportion to the number of registered electors.

Following the publication of the Independent Culture Review Report (Morris Report) Welsh Government enacted powers of intervention. The Deputy Minister for Social Partnership made [an oral statement on 9 January 2024](#). On 5 February 2024, the Deputy Minister made [a further oral statement](#) and issued [Directions to the Fire and Rescue Authority \(FRA\)](#) instructing that the governance functions of the existing Fire Authority were transferred to four appointed Commissioners, effective from 6 February 2024.

The Directions award all functions of the FRA to 4 Commissioners:

- The Baroness Wilcox of Newport, former leader of Newport City Council and the Welsh Local Government Authority (WLGA)
- Kirsty Williams, former Member of the Senedd for Brecon and Radnor
- Vij Randeniya, former Chief Fire Officer of West Midlands Fire and Rescue Service
- Carl Foulkes, former Chief Constable of North Wales Police.

This statement explains the previous governance arrangements of SWFRA for the period 1 April 2023 – 5 February 2024 and then how the Commissioners for South Wales Fire and Rescue Service for the period 5 February 2024 to the end of March 2024, have reviewed previous arrangements and instigated stronger governance systems and processes.

## 2. The Purpose of the Governance Framework

The Governance Framework comprises the systems and processes, and culture and values, by which the organisation is directed and controlled, and its activities through which it accounts to, engages with, and leads the community. This enables the organisation 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 system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the organisations policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively, and economically.

This Statement gives assurances that the governance framework has been reviewed and reinvigorated for the year ending 31 March 2024 and up to the date of approval of the Statement of Accounts.

### 3. The Governance Framework

The Governance Framework describes the key elements of the systems and processes that comprise the organisations governance arrangements and are as follows:

SWFRA is responsible for ensuring that South Wales Fire & Rescue Service (SWFRS) is effective, efficient, and accountable to the public.

From 01 April 2023 – 05 February 2024 membership of SWFRA was made up of Members of the 10 unitary authorities covered by the SWFRS service area as defined by the Fire Service (Combination Scheme) Order 1995.

SWFRA was organised into committees which are appointed at the annual meeting. Each committee has a comprehensive set of terms of reference. Working groups were established on an ad-hoc basis as and when required. (See Fig.2)



Fig. 2 Committees of the Authority – member decision making model

Under SWFRA the Executive Leadership Team (ELT), comprised of the Chief Fire Officer (CFO), Directors, and the Treasurer of the Authority, was responsible for strategic leadership, political interface, and corporate challenge. The Senior Management Team (SMT) included the same officers and Heads of Service, both uniformed and corporate, and provided organisational leadership, functional challenge, and service delivery. (see Fig. 3)

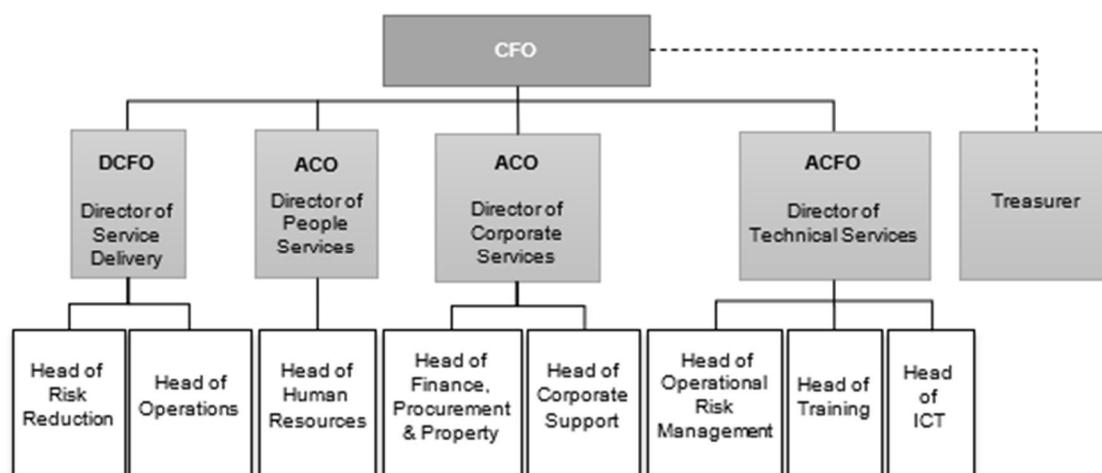


Fig. 3 Senior Management Structure of the Service

From 05 February 2024 to the end of March 2024 the Commissioners for SWFRS have established a new committee structure. Each committee has a comprehensive set of terms of reference. Working groups were established on an ad-hoc basis as and when required. (See Fig.4)



Fig. 4 Committees of the Board of Commissioners for South Wales Fire and Rescue Service – Commissioner decision making model

Under the Board of Commissioners for SWFRS the Executive Leadership Team (ELT), comprises the Chief Fire Officer (CFO), Directors, and the Treasurer, who are responsible for strategic leadership, political interface, and corporate challenge. The now renamed Senior Leadership Team (SLT) includes the same officers and Heads of Service, both uniformed and corporate, and provides organisational leadership, functional challenge, and service delivery. (see Fig. 5)

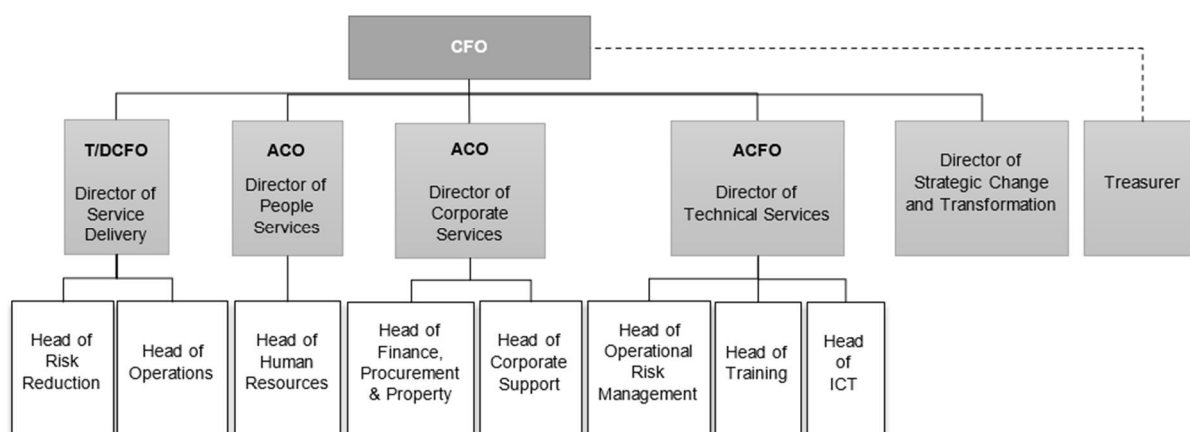


Fig. 5 Senior Leadership Structure of the Service

Under both governance arrangements the Chief Fire Officer is also the Head of Paid Service, responsible for ensuring that all the Authority functions are properly coordinated as well as organising staff and appointing appropriate management.

The Treasurer is responsible for the proper administration of the organisations financial affairs as required by Section 112 of the Local Government Finance Act 1988, and the organisations financial management arrangements are assessed against the governance requirements set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Chief Finance Officer in Public Organisations (2009).

The Director of Corporate Services is designated the Monitoring Officer in accordance with the Local Government and Housing Act 1989, and ensures compliance with established policies, procedures, laws, and regulations. They are required to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of elected members and officers and, to be responsible for the operation of the organisation's constitution.

Constitutional Documents – the SWFRA constitution was redrafted in 2022 and was published on the Service and was published on its [website](#). With the Authority's functions having been transferred to Commissioners for the Service the constitution is being revised and will be republished on the Website when approved by the Commissioners. The constitution includes Contract Standing Orders, Scheme of Delegations and Financial Regulations. The constitution is periodically reviewed by the Monitoring Officer and Treasurer, and any identified changes needed are carried out under delegated or are reported to the Board of Commissioners for their approval.

To provide a practical method of operational and financial management throughout the organisation, officers have been given certain powers through the governance framework in the form of Officer Delegations. Under the Local Government Act 1972, a list of these powers must be maintained, and this is done by the Monitoring Officer who regularly reviews their effectiveness. Any identified changes needed are carried out under delegated Authority or are reported to the Board of Commissioners for their approval. These powers form an integral part of the Governance arrangements and were last reviewed by SWFRA in March 2023 and can be seen on page 87 of this



linked [document](#). To ensure operational continuity these remain extant until they are reviewed in the redraft of the constitution.

The current Medium Term Financial Strategy (MTFS) covers the period to 2023-2024 to 2026-2027 and forms the cornerstone of the detailed budget construction annually. It provides a view on potential funding both nationally and locally. The MTFS was reported to the SWFRA on 25 September 2023 and the report can be reviewed on this [video link](#) and can be read on page 49 of this [link](#). Subsequently the Budget was approved by the Board of Commissioners on Monday February 12<sup>th</sup>, 2024. The final approved revenue budget can be read on page 5 of this [link](#) the presentation of this report can be reviewed on this [video link](#).

The Strategy considers:

- An assessment of potential un-hypothecated grant settlements and local taxation yields for constituent councils based on best, worst, and anticipated figures.
- Intelligence from outturn for last financial year and current year's revenue budget as the base.
- A view on relevant indices to be applied to the base.
- A snapshot of transformational projects currently identified within the period of the MTFS.
- A planned approach to reserves as a result of the MTFS projection and Reserve Strategy.
- A view on potential funding gaps and planned approaches to these over the period in question.
- The current economic climate and public service partner financial pressures are also considered as well as the general financial environment in which the Service operates.

[Strategic Plan](#) – The year five update on the plan outlines the direction that the organisation is taking and how we intend to meet the challenges over the 2020-2030 period to continue to deliver high quality services that meet the needs of our communities.

The organisations performance against the Strategic Plan and Statutory indicators was reported regularly to SWFRA and the FAPM Committee together with an overall report that is reported annually to SWFRA and on our website through the full document [Annual Improvement Plan How did we do in 2022-2023 and what we plan to do 2024-2025](#). There is also a [Quick Read Version of the Annual Improvement Plan How did we do in 2022-2023 and what we plan to do 2024-2025](#). This reporting schedule will continue to the Board of Commissioners.

Strategic Planning Framework – Our vision is to make South Wales safer by reducing risk. We recognise that safer communities can only be achieved by challenging and improving the way we work through a safe and competent workforce and effectively managing our resources. We therefore set a strategic direction for the organisation through our [Strategic Plan](#) which covers a ten year period and addresses the requirements of the Well-being of Future Generations (Wales) Act 2015 together with the requirements of the Welsh Government's Wales Fire and Rescue Services National Framework Document 2016 and the Services

responsibilities within the Socio Economic Duty 2021 as well as the Social Partnership and Public Procurement (Wales) Act 2023.

We therefore give due regard to socio-economic disadvantage in making strategic decisions, which contributes to the WFGA goals by producing Equality Impact Assessments when developing projects, amending, or writing policies, designing initiatives/campaigns, etc. These assessments are kept under review to ensure our activities are truly inclusive. By addressing any barriers to accessing our services, our focus is on the people we serve.

The Social Partnership and Public Procurement (Wales) Act 2023 directs public bodies in Wales which are in scope for the Social Partnership Duty to a framework which complements the WFGA and the Socio-economic duty in its four key principles:

- Social Partnership – consulting and working with trade unions or, where there is no recognized trade union, other staff representatives when setting well-being objectives and taking strategic decisions on their delivery.
- Socially Responsible Procurement – requires publication of a procurement strategy that ensures consideration of factors other than cost in public spending, including supply chain management.
- Fair Work – substituting ‘fair work’ for ‘decent work’ in the Prosperous Wales well-being goal focuses on providing conditions that enable a healthy, inclusive environment that is attentive to well-being.
- Sustainable Development – taking account of the impact of decisions taken today for the future.

These responsibilities are recognised in current processes and our plans. We will continue to build positive relationships with trade unions by introducing dedicated planning sessions and committing to delivering on the recommendation of the Independent Culture Review, with particular focus on well-being. The Wales's Fire and Rescue Service's Procurement Strategy 2022-2027 is being reviewed to address the new duty. For our Service, we have developed sustainable development principles which direct our decision-making processes, and we will continue to consider immediate need and long-term impact to ensure transparency and accountability.

Each directorate and department formulate their own plans in support of the strategic objectives which are reported on quarterly.

Risk Management Policy – the policy sets out the process we use to identify and control exposure to uncertainty, which may impact on the achievement of our objectives or activities. Senior managers identify, review, and score Departmental and Strategic Risks assessing them in terms of likelihood and impact; identify any actions in place and any further actions required to prevent the likelihood of risk occurring or to mitigate the impact should they occur. The Corporate Risk Register records these risks, and they are regularly monitored and reported at SMT planning meetings. Strategic Risks were reported to the SWFRA's FAPM Committee this reporting schedule will continue to the Board of Commissioners and SLT meetings. Specific financial risks are identified and managed within the MTFP and management accounting regime.

The SWFRA FAPM Committee and the Scrutiny Committee considered the effectiveness of the SWFRA's risk management arrangements and the work of the Internal and External Auditors. In 2023-2024, the Scrutiny Committee considered the Strategic Risks of the Service in the 11 December 2022 meeting and can be viewed on this [video link](#). A similar reporting schedule will continue to the Board of Commissioners.

There are established arrangements for effective financial controls through the organisations accounting procedures, key financial systems, and the Financial Regulations. These include established budget planning procedures and regular reporting, to those charged with governance, comparing actual revenue and capital expenditure to annual budgets. The organisations Treasury Management arrangements follow professional practice and are subject to annual review those charged with governance. Key financial controls are reviewed annually as part of the annual internal audit plan. Additionally, the adoption of the CIPFA Financial Management code, associated gap analysis and action plan further enhances the robustness of these controls.

The Service has signed up to the Wales Fire & Rescue Services' Procurement Strategy which makes the best of opportunities to deliver efficiencies and other improvements in the acquisition of goods, services, and the awarding of contracts across the Fire & Rescue Services in Wales.

The organisation has in place counter fraud arrangements and whistleblowing arrangements which are regularly reviewed by officers. There are agreed procedures to meet the requirements of the Regulation of Investigatory Powers Act 2000 which have been agreed by the Office of the Surveillance Commissioner and key staff have received training in the application of these regulations.

Internal Audit is outsourced to a private sector organisation, who work to the Public Sector Internal Audit Standards which are applicable to all Internal Audit providers in Wales. The Annual Internal Audit Plan was agreed by the FAPM Committee which received regular reports on the audits undertaken together with the provider's annual report. This reporting and Scrutiny function will transfer the Finance & Audit Committee of the Board of Commissioners.

The Auditor General for Wales is SWFRA's statutory auditor, with the audit provided by Audit Wales. They provide challenge under the Public Audit (Wales) Act 2004, The Local Government (Wales) Measure 2009 the Well-being of Future Generations (Wales) Act 2015 and the Code of Audit Practice. They issue annual reports or statements on the performance of SWFRA, namely to:

- Examine and certify if the financial statements are true and fair.
- Assess if proper arrangements to secure economy, efficiency, and effectiveness in the use of resources have been made.
- Audit and assess if the duties and requirements of the Measure have been met.
- Undertake studies to enable considered recommendations for improving economy, efficiency, and effectiveness or for improving financial or other management arrangements.



- Assess if the sustainable development principle is complied with when setting and taking steps to meet well-being objectives.

The Auditor General and Audit Wales present their Audit Plan to those charged with governance annually, and regularly report progress and outcomes to them. All reports are published on the Audit Wales website ([www.audit.wales](http://www.audit.wales)).

The Annual Pay Policy Statement is approved by the organisation and published in accordance with the Localism Act 2011. This was approved at the Board of Commissioners meeting on 28 March 2024 and can be read on page 13 of this [link](#) or viewed on this [video link](#).

Members' allowances were paid in accordance with the Independent Remuneration Panel recommendations and are published in accordance with their requirements. On the transfer of Authority functions to the Commissioners, these Member payments ceased. The ongoing costs of Commissioners salaries, allowances and expenses, as agreed by Welsh Government, will be met by the Service.

Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 (the public sector Regulations), all public authorities are required to publish gender pay gap information by reporting the percentage differences in pay between their male and female employees. Public authorities must publish the required information based on data captured on the snapshot date of 31 March 2023, within 12 months. Accordingly, SWFRA published this information within the deadline. SWFRS 2023 Gender Pay Gap Report can be accessed on page 53 [here](#).

All users of the organisations ICT equipment use an online acceptance tool which individuals must pass through before using internet facilities, agreeing to the organisation's ICT policies.

Related party returns are completed and signed by those charged with Governance and also Senior Officers of the Service in accordance with the Code of Practice on Local Authority Accounting in the UK. These returns help to establish transactions and balances as required by the relevant accounting standard (International Accounting Standard 24, Related Party Disclosures) and assist in identifying actual, potential, or perceived conflicts of interest.

#### **4. Governance Assurances aligned to CIPFA Principles**

The following section provides a brief overview of the governance assurances undertaken by the organisation during 2023-2024. Although a criterion may be allocated under a particular principle there are many occasions when the same criteria will contribute to more than one criterion.

### **Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**



**Vision Mission and Values** - The Services Vision Mission and Values are published in the Strategic Plan and on the Services Website. These are the foundation of the decision making processes within the Service ([link](#)). These are to be reviewed in 2024 -2025 following the Morris Report ([link](#)).

**Strategic and Improvement Plans** – The Services 10 year strategic Plan ([link](#)) was published in 2019. This identified the Services longer-term aims and commitments and has an update published on an annual basis by 31<sup>st</sup> March each year ([Strategic Plan year five update](#)). This details the Improvement Objectives as required by the Local Government (Wales) Measure 2009, and well-being objectives in accordance with the Well-being of Future Generations (Wales) Act 2015. The Stage 2 improvement Plan is published every October. Over a 12-week period between October and January, the Service consults on the proposed Improvement and Wellbeing Objectives ([full plan](#) or [quick read version](#)).

**The Constitution** - The Constitution is available on the Service's website ([link](#)) and explains how the organisation operates and how it makes decisions. The Constitution sets out the responsibilities of those charged with Governance, the decision-making model and framework and includes the Scheme of Delegation to Officers (section 11.7). The constitution was previously revised in 2022 following publication of the final Model Welsh Local Authority Constitution. Following the appointment of the Commissioners the constitution will be reviewed in 2024 and republished. There will also be an easy read constitution guide when republished.

**The Code of Conduct for Members** – which was published within section 16 of the 2022 Constitution, outlined the behaviours and conduct expected of Members. This was monitored by the Standards Committee ([link](#)).

**The Code of Conduct for Officers (Staff)** – is published within section 17 of the 2022 Constitution it outlined the behaviours and conduct expected of Officers (all members of staff [link](#)). This will also be included in the 2024 Constitution when published.

**Complaints process** – the Service has a procedure to receive and respond to any complaints made. Following the instigation of the Morris Report a number of additional ways of reporting were introduced including the FRS Speak Up scheme. There were regular internal communications to advise staff of the different ways to report issues. The [SWFRS Contact Us](#) webpage was updated. Following the [HMICFRS Values and culture in fire and rescue services Report](#) and associated action plan the Service established a Behaviours Overview Group to review Disciplinarys, Grievances and Complaints.

**Head of Paid Service** – the Chief Fire Officer is responsible for ensuring that all the Authority functions are properly coordinated as well as organising staff and appointing appropriate management.

**Section 151 Officer** – also known as the Chief Financial Officer or Treasurer performs the duties of the Section officer. Section 151 of the Local Government Act 1972 requires FRSs to make arrangements for the proper administration of their financial affairs and appoint a S151 Officer to have responsibility for those

arrangements. The Treasurer is a member of the Executive Leadership Team and is actively involved in decision-making.

**The Monitoring Officer** - has a specific duty to ensure the organisation, its Officers, and those charged with governance maintain the highest standards of conduct. The organisation's Monitoring Officer also has a specific duty to report matters they believe are, or are likely to be, illegal or amount to maladministration. The Monitoring Officer therefore ensures the lawfulness and fairness of the organisation's decision making. The Monitoring Officer also ensures that the necessary arrangements are in place to facilitate effective communication between Officers, those charged with governance, and the formal recording and publication of the democratic decision-making process.

**To Minimise Risk of Fraud** - Key policies are in place to prevent and minimise the risk of fraud. Policies include the Whistleblowing Policy, Anti-Fraud and Corruption Policy, Financial Regulations and Contract Procedure Rules. Where wrongdoing is suspected arrangements are in place to ensure that it is thoroughly investigated.

**Legal Advice** – When appropriate legal advice is sought during the decision-making processes within the Authority and Service.

**Discipline** – all allegations of wrongdoing are investigated in accordance with the Service's Disciplinary Procedure which complies with ACAS best practice. Following the [HMICFRS Values and culture in fire and rescue services Report](#) and associated action plan the Service established a Behaviours Overview Group to review Disciplinarys, Grievances and Complaints.

**Strategic Equality Plan** – the Service publishes a Strategic Equality Plan in compliance with the Equality Act 2010. Equality objectives and actions are reviewed annually and monitored throughout the year ([link](#)).

**Ethical** – The Service acts in an ethical way by considering its values in its decision-making processes. The Service is also committed to sustainable and ethical procurement buying local products when possible and ensuring that modern slavery safeguards are in place with all suppliers.

**Working Wage employer** – South Wales Fire and Rescue Service are currently paying employees over and above the Real Living Wage and is an accredited Real Living Wage employer ([link](#)).

## **Principle B: Ensuring openness and comprehensive stakeholder engagement.**

**Corporate Planning Framework and Cycle** - The Service has a well-established corporate planning framework and cycle which is regularly reviewed to ensure its

effectiveness. Part of this cycle includes pre-engagement of the Improvement Objectives to be proposed in the October document.

**Communications and Engagement Strategy** - outlines the Service's approach to communication, including an overview of key stakeholders and the most appropriate mechanism to ensure effective communications and engagement with key target groups.

**Access to Meetings and Information** – All previous Fire Authority and now the Commissioners Board Committee meetings are advertised and open to the public. All of these meetings are now available on a multilocation basis where participants may be physically located in the meeting venue whilst others may join from other remote locations. This is defined in the 2022 constitution ([link](#)), the constitution is currently under review and will be republished on the Services Website. All previous Authority and now the Commissioners Board Committee meetings are recorded and published on the Services Website ([link](#)). Agendas and papers are available on the Service's website ([link](#)).

**Commitment to openness** – the Service demonstrates this by:

- open publication of reports provided to the Fire Authority / Commissioners for decision making.
- completion of impact assessments for all key decisions
- the Services Complaints Process
- regular engagement through programmed meetings and ad hoc engagement with all Employee Representative groups
- the Services whistleblowing policy
- specific Shout Forums following the publication of the Morris report.

**Public Engagement** - methods the Service employs include:

- directed communication using social media, with accounts on multiple social media platforms, engagement with young people via the Phoenix programme, Fire cadets and school visits.
- community safety engagement with householders and businesses
- positive action events such as Fire Fit for firefighter recruitment.
- attendance at open days/events– for example, the Eisteddfod and 999 weekend.

**Internal communication** - methods include:

- publications Routine Notice (weekly), Shout Newsletter (monthly), the Spark Annual review and the Service App.
- Opportunities for staff Discussions include Shout engagement forums, Principal officer visits to Stations and Departments, and Middle leader Events to share ideas and learning and to debate current and ongoing issues.
- Service Update and Service Information Emails sent individually to all staff.

**Media Campaigns** - Our public media campaigns are led by the appropriate teams across the Service and delivered collaboratively with our Media and Communications team. We regularly collaborate with the other 2 Fire and Rescue Services in Wales in developing and delivering campaigns.



**Partnership arrangements** - are in place for Local Resilience Forum's, and their subsequent subgroups and membership of our local Public Services Boards and the Regional Partnership Boards. SWFRS also has partnership arrangements with other Public and Emergency Services including joint training exercises.

## **Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

**Well-being of Future Generations (Wales) Act 2015** - SWFRS is committed to supporting the Act and continues to play a key role in the formation of all the Local Well-being Plans, which represent the communities of South Wales.

**Strategic Planning** – the Services Strategic planning process contains the WBFGA at its core, the process begins with a PESTLE/SWOT analysis, involves significant engagement with staff, partners, and the public to ensure that the priorities of the Service are aligned with both public expectation, partner and communities needs and have our community's wellbeing at their core.

**Financial Planning** – the Service has robust Treasury, Capital and Medium-Term Financial Strategies that were regularly reviewed and scrutinised by the FAPM committee and full Fire Authority, this is now in place for the Board of the Commissioners and their Finance and Audit Committee. The key financial controls of the Service are audited on a regular basis.

**Sustainability** – The Service has published and reviewed its Carbon reduction and Biodiversity plans. The Service is also committed to improving its sustainable and energy efficiency infrastructure from using Electric vehicles with suitable charging points on sites, to encouraging staff to develop biodiverse wellbeing areas, improving the biodiversity at our sites in sustainable ways.

**Business Continuity** – throughout the Covid Pandemic and during the recent planning for potential industrial action (IA) the Service has demonstrated its commitment and competence in developing and maintaining suitable business continuity arrangements.

**Safeguarding** – the Service has a Safeguarding policy and procedure in place to refer vulnerable people the Service meets, to other agencies.

## **Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes.**

**Governance and Scrutiny** – The governance and scrutiny provided by the those charged with governance of the Service is aimed to ensure robust assessment of Officer recommendations, the performance of and outcomes achieved by the Service.

**Performance Reporting** – there are regular performance and monitoring reports to the those charged with governance. The current Senior Leadership Team is developing a monthly scheduled timetable of assurance measures that are reviewed and scrutinised internally. These will cover progress reports and performance monitoring on operational performance, strategic indicators, and financial performance amongst others.



**Internal and External Audit** – the Service engages in regular internal and external audit programmes. The regular reporting and scrutiny of audit performance and monitoring of delivery on audit actions ensures that the Service continues to secure continuous improvement. This is evidenced in compliance certificates from Audit Wales.

**Strategic Plans** – The Service develops and delivers against multiple strategic plans which include the Strategic Plan, Strategic Equality Plan, Biodiversity and Carbon Reduction Plan. The Business Management system BMIS is used to monitor and record progress against these achievements.

## **Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

**Constitution** – as described in Principle A the constitution is used as the guiding document to inform the workings of the Authority as well as the behavioural expectations for members and officers.

**The NFCC leadership framework** – has been adopted by the Service as the basis for the personal review process and is the framework for Pathways and continuous professional development (CPD). The Service has a robust Personal Review process. The pathways process includes future leadership development elements for all staff groups.

**Training, Development, and Induction** – Training and development opportunities are available for Commissioners and Officers alike throughout their time with the Service. There are proactive induction programmes for all and pathway programmes as well as online learning and development packages. The service has mandated that all members of the organisation will complete unconscious bias and inclusive leadership learning.

**Health and Wellbeing** – the Service understands the importance of health and wellbeing for operational and corporate staff alike. Challenging incidents attended by operational staff are tagged and a proactive programme of activity is carried out post incident to make staff aware of the support available to them. The Service has a Wellbeing Delivery Group specifically putting in place supportive and preventative measures and programmes to support all staff.

**Occupational Health** – The Occupational Health offer to all staff encompasses both physical and mental health provisions throughout their career in Service. This ranges from Pre-employment medical examinations, Routine Medical Surveillance, LGV medical examinations for those that require this for their role. There are also Counselling Services for all that need them as well as targeted Post Critical Incident Support and Post Exposure Surveillance

**Health and Fitness** – in addition to the above the Service has gym provisions at all sites to enable staff to manage their fitness levels. The Services Health and Fitness Advisors support all staff in their fitness goals from regular fitness tests for Operational staff to fitness advice for corporate staff. They also provide nutrition advice and guidance as well weekly workouts published in Routine Notice.

**Learning and development** – The learning and development team regularly issue positive pointers to all staff within the Service which cover both, work-based learning, wellbeing support and health topics.

## **Principle F: Managing risks and performance through robust internal control and strong public financial management.**

**Statutory Officers** – as referred in Principle A the statutory officers (Head of Paid Service, Treasurer and Monitoring Officer) have a key role in the management of risks, performance, robust internal control and strong financial management. The treasurer of the Authority is independent of the Head of Paid Service which enhances the robustness of the accounts management.

**Performance Reporting** – as referred to in Principle B.

**Governance and Scrutiny** – as referred to in Principle D.

**Internal and External Audit** – as referred to in Principle D, specifically the external audit of accounts.

**Training, Development, and Induction** - as referred to in Principle D. Ensuring the Service has trained and qualified staff.

**Risk Management** – the risk management process which identifies, monitors and manages risks on a strategic and departmental basis enables the Service to identify issues in advance and put in risk management strategies to manage, mitigate, and monitor risks.

**Anti-Fraud, Anti-Bribery and Whistleblowing Policies**– the Service has a dedicated Fraud Officer, as well as robust and embedded anti-fraud, anti-bribery, and whistleblowing policies. In addition, there is the expectation and requirement of officers and members to register declarations of interest, Related party returns and the M10 hospitality reporting process, as necessary.

**Financial Procedure Rules** – including the procurement frameworks, tendering process and where necessary the exceptional need for exemptions approval is carefully and closely controlled.

**Information and Data protection** – the Service has clearly defined processes and policies on information management and data security. The Security Risk Group meets on a regular basis and continually assesses potential risks to the Service. The Service has engaged in information sharing protocols with partners.

## **Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

**Access to Information** – All governance committee meetings are documented with and agenda and minutes as well as videos of the meetings being available on the Service Website for public scrutiny ([link](#)).

**Annual Governance Statement** – this statement itself is evidence of how the Service implements good practices in transparency, reporting, and audit to deliver effective accountability.

**Governance and Scrutiny** – as described in Principle D.

**Performance Reporting** – as described in Principle D.

**Financial Procedure Rules** – as described in Principle F.

**Anti-Fraud, Anti-Bribery and Whistleblowing Policies** – as described in Principle F.

Despite these measures and mitigations being in place, the Welsh Government in conjunction with the findings of the Morris report have instigated intervention measures against SWFRA. The timeline and reasons for this will be explored in further detail under the Review of Effectiveness within this Annual Governance statement.

## 5. Review of Effectiveness

The Service has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the Executive Leadership Team within the Service who have responsibility for the development and maintenance of the governance environment, and the work and reports of the internal and external auditors.

It would be remiss in the Annual Governance Statement to not initially address the findings of the Morris Report and the considerations and actions of the Welsh Government following the recommendations and findings of the review.

### Independent Culture Review (Morris Report)

On 3<sup>rd</sup> January 2024 the [Morris Report](#) was published. The Morris report made 82 recommendations [which can be seen on page 127](#) of the report. The Summary of the report can be seen below:

***“The Service has many positive aspects. They include:***

- 1) a universal proud commitment to service of the community;***
- 2) a usually warm and supportive watch culture;***
- 3) an excellent internal occupational health service;***
- 4) positive measures to support mental health and the neuro-diverse; and***
- 5) the Chief Fire Officer's championing of the prevention of violence against women and girls.***

***However, there are also serious deficiencies in the Service. They include:***

- poor communications, systems, policies and procedures;***

- *insufficient role modelling by leaders and managers;*
- *a lack of transparency in recruitment and promotion procedures, meaning it is difficult to be certain that they are fair, and free from nepotism;*
- *a lack of diversity;*
- *the toleration of problematic behaviours, including: sexual harassment; negative assumptions about women; domestic abuse and physical aggression outside of work; the expression of negative views in relation to the protected characteristics of sex, race and/or religion; bullying; harmful ‘banter’; drug and alcohol abuse; and improper interference with procedures.*
- *misconduct, including criminal conduct, that has previously gone insufficiently addressed, to the detriment of the Service's culture;*
- *a lack of encouragement and support for people to speak up, and insufficient action when they do;*
- *inadequate training, resulting in the problems identified above;*
- *self-interest, and a lack of respect for colleagues in all roles and ranks*

*We are encouraged by the steps the Service has already started to take to recognise and address its failings. These include:*

- 1) the instigation of this Review;*
- 2) a greater commitment to equality, diversity and inclusion (“EDI”);*
- 3) improving its Human Resources functions;*
- 4) a more robust and consistent approach to disciplinary matters;*
- 5) improving promotion processes to address some of the issues that have been identified.*

*Such actions demonstrate that the Service is committed to improving its culture. However, it has much further to go.”*

In the [Senedd Plenary session on the 9<sup>th</sup> January 2024](#) Welsh Government responded to the Morris Report. The first Minister Mark Drakeford stated:

*“...this is a highly critical report that exposes underlying failures in leadership, governance and decision making within the service. It demonstrates the need for fundamental cultural and managerial change.”*

The First Minister continued:

*“...The fire and rescue service is a constitutional anomaly in the sense that many of its responsibilities are not exercised at all here in the Welsh Government. But when a service fails, there are things that we can do, and the Deputy Minister will set out her initial thoughts about the actions that the Welsh Government may need to take in order to help with the recovery of that service, and to ensure that there are high-quality fire and rescue services available to the people of south Wales, delivered in a way that does not demonstrate the breakdown in culture and chains of responsibility that the report of Fenella Morris so vividly illustrates.”*



The statement of the Deputy Minister Deputy Minister for Social Partnership Hannah Blythyn can be [read in full here](#). A Summary of the statement can be seen below

***“...it is, in a word, damning.***

- discriminatory attitudes and behaviours exist at all levels***
- Those responsible for them have brought disgrace to the service and tarnished the high regard in which firefighters are rightly held.***
- A boys' club exists within the service, especially within senior management***
- There is widespread staff discontent and demotivation***
- A belief that nothing will ever change***
- Promotion arrangements are widely believed to be subject to bias and favouritism***
- Disciplinary procedures too often lead to inadequate sanctions or no sanctions at all***
- Key human resources policies are out of date, inadequate or concerned more with protecting the reputation of the service than the rights of individuals***
- the firefighting workforce remains overwhelmingly male and white.***

***In short, there are many serious, long-running failures of management within the service.***

The Deputy Minister Deputy Minister went on to state that:

***“When I met the chair of the South Wales Fire and Rescue Authority yesterday, it was clear that he is taking the report seriously and accepts the recommendations in full. But that can only be the start of a long process of reform and cultural change. And I am far from convinced that the Authority alone is capable of designing, overseeing and implementing that process. To be clear, the issue is not whether the Welsh Government becomes involved, but how and to what extent.***

***In particular, I will need assurances on three issues.***

***Firstly, how can sustainable change take place when so many of the existing management structures and practices have been implicated in failure?***

***...I will need to be assured that the capacity, capability and willingness to complete that change programme is in place.***

***Secondly, there is a danger that the identified failures might also affect the delivery of front-line services. ...If the South Wales Fire and Rescue Service's ability to discharge its core functions has been affected, then that would clearly be a very serious matter indeed, and I will need very clear assurance about that.***

***Finally, we need to understand the role of the fire and rescue Authority in all of this. This report relates to failures of officer-level management, and it would be unfair to expect the Authority members to be fully aware of every detail of management practice. But the Authority is nonetheless the employer and the***

***statutory body. It should show clear leadership and hold management to account. I am not convinced that it has done so.***

***I will be considering how the governance of the Authority might be strengthened to oversee sustainable change and prevent a recurrence of these failures....***

***...We simply cannot accept this level of discrimination and mismanagement in a public organisation charged with protecting people from serious harm.***

On 15 January 2024 SWFRA accepted all 82 recommendations of the Morris Report, the meeting can be viewed on [this video link](#). The Authority agreed to create a Culture Review Implementation Committee, to oversee the development and delivery of the Action Plan and implementation of all the recommendations. The Draft Action Plan detailed four working groups to address themes raised in the Independent Culture Review Report:

- Policies and procedures
- Values, standards, leadership
- Training, promotions, recruitment
- Culture, EDI, communications

On [6<sup>th</sup> February 2024 the Deputy Minister made a further statement](#) to the Senedd. The transcript of the statement of the Deputy Minister Deputy Minister for Social Partnership Hannah Blythyn and the associated Senedd debate can be [read in full here](#). A Summary of the statement can be seen below

***Sadly, I do not have confidence that the service has the internal capacity or capability to oversee its own recovery. Management at all levels, up to and including the highest, have been implicated in the identified failings. They cannot be both the problem and the solution. ...***

***The Authority's plan calls for support from the Welsh Government, the Welsh Local Government Association and others. That is reasonable. But such support needs strong foundations and clear and committed leadership to drive through change, and I see no evidence of that...***

***I am also seriously concerned that these failings jeopardise the service's ability to function safely and effectively....These risks are real and immediate, and I have two recent examples of how the identified management failures directly and seriously affect core services.***

***Firstly, our chief fire and rescue adviser is a highly regarded and experienced former chief fire officer. He is also the statutory inspector of the FRAs in Wales, charged with making recommendations to them and me. In recent years, he has produced reports on the lessons of the Grenfell Tower fire, on improving service capacity and on firefighter training. Each of them contains fully evidenced recommendations to improve service standards and firefighter safety. It is therefore disappointing that South Wales Fire and Rescue Service has rejected many of these recommendations out of hand. Such a response would suggest the organisation is uninterested in better***

***ways of fighting house fires or minimising the risk of fatigue, or ensuring that firefighters have the skills they need.***

***Secondly, false alarms have long outnumbered actual fires. Attendance at them commits firefighters to activity that wastes time and resources for prolonged periods. There are proven, simple and safe ways of reducing attendance, and our 2016 national framework for fire and rescue services called for action to do so. ... South Wales Fire and Rescue Service has done nothing meaningful. ... This reflects the same management insularity and tolerance of bad practice identified in the review. It has not just led to staff misconduct and discrimination, it is also affecting service quality and efficiency, and the safety of firefighters, and we must act to address that.***

***Finally, we have the fire and rescue Authority itself. It must show strategic leadership and hold senior management to account. It has clearly done neither. The failings date back to 2015, yet the Authority took no action during that period. Instead, it unanimously rejected some of the chief adviser's recommendations last March, and a few months later gave senior officers a significant pay rise. That action now looks very ill-judged.***

***The Authority's response establishes a committee to oversee the report's implementation. It also proposes to co-opt external expertise onto that committee, which is positive. But, I see no sign of the underlying weaknesses of governance changing. As with management, Authority members cannot be both the problem and the solution.***

***I am, therefore, issuing a direction to South Wales Fire and Rescue Authority today, requiring all of its functions to be exercised by four commissioners. Those commissioners will be charged with ensuring the full and sustainable implementation of the review's recommendations, as well as acting on the recommendations of our chief adviser. They will have full powers to restructure and reform service management and instil a positive, non-discriminatory culture, and they will remain until the work is finished and until South Wales Fire and Rescue Service is clearly an inclusive and welcoming workplace for all.***

***The commissioners I am appointing are Baroness Wilcox, formerly leader of Newport City Council and leader of the Welsh Local Government Association; Kirsty Williams, formerly Member of the Senedd for Brecon and Radnorshire; Vijith Randeniya, formerly chief fire officer for the west midlands; and Carl Foulkes, formerly chief constable of North Wales Police.***

As a result of the above statement the Welsh Government issued [Directions to the Fire and Rescue Authority](#). These Directions set out that the functions of the South Wales Fire and Rescue Authority must only be exercised by Commissioners appointed by the Welsh Ministers. This subordinate legislation can be viewed in full on this [link](#).

The Welsh Government through this [intervention](#) have discharged the following terms of reference for the Commissioners to:

- Implement of all the recommendations of the review of SWFRS culture and values within deadlines stipulated in it.
- Establish and oversee a new senior management team and related processes that are untainted by the failings identified in the report. As a first step, they will appoint a Chief Fire Officer and, as necessary, other senior staff necessary to contribute fully and effectively to the FRA's recovery.
- Establish and implement a process to identify grievance cases arising during the period covered by the report which may have been improperly and/or unfairly dealt with. They will also ensure those cases are reopened and re-examined, leading to a fair and just outcome.
- Implement all of the recommendations made in the Chief Fire and Rescue Adviser's thematic reviews on:
  - learning from Grenfell Tower Inquiry
  - fire and rescue service capacity
  - fire and rescue service operational training
- Make arrangements for a significant and sustained reduction in SWFRS's attendance at false alarms.
- Develop proposals for the future governance of FRA to minimise the risk of further such failings.
- Discharge other functions of the FRA and its members as set out in statute and the FRA's standing orders.
- Advise the Welsh Government on progress with the above, and on the potential for ending intervention.
- Undertake all their work in the full spirit of social partnership, and through continual and effective engagement with SWFRS staff and representative bodies.

Following this intervention the Commissioners for South Wales Fire and Rescue Service agreed for the temporary secondment of Stuart Millington, to the position of Interim Chief Fire Officer of South Wales Fire and Rescue Service (SWFRS) with effect Monday 12th February 2024. CFO Millington joined SWFRS on secondment from North Wales Fire and Rescue Service where he was an Assistant Chief Fire Officer. CFO Millington is working with the Commissioners and the Service to ensure business continuity and progression against the terms of reference for the Commissioners.

Over and above this intervention the Welsh Government, through the Equality and Social Justice Committee, received evidence in respect of the Governance of Fire and Rescue Services. There were 8 scrutiny sessions receiving evidence from a number of panels, which can be accessed on this [link](#).

The outcomes of these evidence gathering panels were compiled into a report titled "Sound the Alarm: The Governance of Fire and Rescue Services", which can be accessed via this [link](#). The recommendations outlined within this report are currently under consideration by all relevant stakeholders.

Clearly these issues have had an overriding impact on the review of effectiveness and will be referenced both in the 2024 – 2025 Action plan and the summary conclusion of this Annual Governance Statement.



In the meantime, the usual internal and external audit programmes have continued within the Service as have a number of usual governance processes that will be considered in the rest of this section.

### External Auditor Programme of Audit and Reports – Audit Wales

The table below references the Audit Wales reports that have been utilised to review the effectiveness of the Service. For completeness and continuity with the previous Annual Governance Statement three years of reviews have been included.

Report	Issued
Wales South Wales Fire and Rescue Authority Annual Audit Summary 2023 (no link available)*	Jan 2023
South Wales Fire and Rescue Authority Statement of Accounts 2022/2023 Notice of Certification of Completion of the Audit <a href="#">Statement of Accounts 2022/23</a>	Dec 2023
<a href="#">Putting out the false alarms: Fire and Rescue Authorities' responses to Unwanted Fire Signals Report of the Auditor General for Wales October 2023</a>	Oct 2023
<a href="#">Certificate of Compliance for the Audit of SWFRA's Improvement Plan 2023-24</a>	Sep 2023
<a href="#">Fire False Alarm Reduction – South Wales Fire and Rescue Authority</a>	May 2023
Cyber Resilience in the Public Sector – NOT FOR PUBLICATION (no link available) **	Dec 2022
<a href="#">Audit of South Wales Fire &amp; Rescue Authority's Assessment of 2021-22 Performance</a>	Dec 2022
<a href="#">Audit Wales - Certificate of compliance for the Audit of South Wales Fire &amp; Rescue Authority's 2022-23 Improvement Plan</a>	Jul 2022
<a href="#">Audit Wales Final Audit Letter</a>	Jul 2022
<a href="#">Carbon Emissions Reduction</a>	Apr 2022
<a href="#">Audit Wales Enquiries to 'Those Charged with Governance' – Draft Response</a>	Feb 2022
<a href="#">South Wales Fire and Rescue Authority Annual Audit Summary 2022</a>	Feb 2022
<a href="#">Audit Wales Report – Joint Working Between Emergency Services</a> <a href="#">Audit Wales Presentation FAPM Committee 25 July 2022</a>	Jan 2022
<a href="#">South Wales Fire and Rescue Authority – Annual Audit Summary 2021</a>	Jan 2022
<a href="#">South Wales Fire and Rescue Authority – Corporate Resilience Report June 2021</a>	Nov 2021
<a href="#">South Wales Fire and Rescue Authority – Annual Audit Summary 2019-20</a>	May 2021

Where possible links have been included to either Service reports to those in governance published on the Service Website or on the issuing organisations website.

\*not yet published on Audit Wales website or in SWFRS public reports

\*\*not published in the public domain due to security sensitivities.

### Internal Auditor Programme of Audit and Reports

The tables below reference the internal audit programme that has been reports that have been utilised to review the effectiveness of the Service. For completeness and continuity with the previous Annual Governance Statement two years of the internal audit programme have been included. Once reason for this is that in the previous annual governance statement all the Assurance Assessments for 2022/23 were not available at the time of publication.

<b>System</b>	<b>Type</b>	<b>Assurance Assessment 2023/24</b>
Electric Vehicle Charging	A	Limited
Assets - Mobile Phones	A	Reasonable
ICT Data Assurance	A	Reasonable
Station Visits	C	Reasonable
Estates Strategy – Property Compliance	A	TBC
Risk Management – Mitigating Controls	A	N/A
O365 Implementation	A	Reasonable
Airwave / Emergency Services Network	A	N/A
Budgetary Control	A	Substantial
Pensions	A	Substantial
Sustainability	A	TBC
Health and Safety Management	A	TBC
Payroll – Core HR Pay Award and Month-end Payroll Processing	A	TBC
Core HR		Scheduled: 25/03/2024

<b>System</b>	<b>Type</b>	<b>Assurance Assessment 2022/23</b>
Rosters	A	Reasonable
Collaboration – Co-location	A	Reasonable
Human Resources Management – Wellbeing	A	Substantial
Station Visits	C	Reasonable
Payroll	A	Reasonable
Contract Management	A	Reasonable
General Data Protection Regulation (GDPR)	A	Substantial
ICT Network Security	A	Reasonable
Key Financial Controls	A	Reasonable
Risk Management – Mitigating Controls	A	Substantial
Human Resources Management – Training	A	Substantial
Sustainable Procurement	A	Reasonable

Type Key	A - Assurance	C - Compliance
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## Chief Fire and Rescue Advisor Reports

Thematic Review	Issued
<a href="#">Learning from Grenfell Tower Inquiry</a>	Feb 2021
<a href="#">Fire and Rescue Service Capacity - Broadening the Role of Firefighters in Wales</a>	Oct 2022
<a href="#">Fire and rescue service operational training</a>	Apr 2022

The Services previous responses to the above Chief Fire and Rescue Advisor Reports have been a key area of concern for the Welsh Government. The Terms of Reference for the Commissioners expressly references the implementation of the recommendations made in the above thematic reviews.

The regular and ongoing processes that have been applied to maintain, review, and improve effectiveness of the Governance Framework include:

- Regular review of policies and procedures by the officer responsible and by the Senior Management/ Leadership Team.
- Periodic review of the constitution and ethical governance arrangements by the Monitoring Officer and Treasurer, which were last reviewed in March 2023. At the time of writing this report the constitution is again under review following the Welsh Government intervention and appointment of Commissioners.
- Those charged with governance regularly scrutinise the revenue and capital expenditure against the allocated budget together with regular scrutiny of the performance of the Service against the Strategic Plan.
- Senior officers regularly review the organisational risks with regular reports to those charged with governance.
- The previous SWFRA received annual reports from each of its committees including the Scrutiny group outlining the work that had been undertaken throughout the year, giving Members the opportunity to challenge and scrutinise any area that they feel fit. Directorate reports were also presented to the Scrutiny Committee.
- The appointed internal auditor provides those charged with governance an opinion on the adequacy and effectiveness of the organisation's governance, risk management and control arrangements. The Head of Internal Audit has confirmed in their annual report that:

#### **Draft Head of Internal Audit Opinion 2023/2024 issued 5<sup>th</sup> February 2024**

***“TIAA is satisfied that, for the areas reviewed during the year, South Wales Fire and Rescue Service has reasonable and effective risk management, control and governance processes in place. This is an indicative opinion and will be updated once all audit reports have been issued as final.***

***This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet***

***financial obligations which must be obtained by South Wales Fire and Rescue Service from its various sources of assurance.”***

An update of the annual report will be completed at year end when all reviews are completed. The Indicative Internal Audit Annual Report 2023/24 can be viewed on page 171 of the Board of Commissioners Meeting papers presented to the Commissioners for SWFRS at the 28 March 2024 meeting on this [link](#).

The Auditor General also provides assurance to the organisation, through their South Wales Fire and Rescue Authority Audit of Accounts 2022/2023 Notice of Certification of Completion of the Audit Letter. In this document dated 5 December 2023 the Auditor general for Wales states:

***“I am pleased to be able to advise you that the audit of your Authority’s accounts for the year ended 31 March 2023 has been completed. I have not had to issue a report in the public interest under Section 22 of the Public Audit (Wales) Act 2004.”***

The Audit Wales South Wales Fire and Rescue Authority Annual Audit Summary 2023 shows the work completed since the last Annual Audit Summary which was issued in January 2023 stated that:

For 2022-23:

- ***the Auditor General gave an unqualified true and fair opinion on the Authority’s financial statements on 5 December 2023. The audit was delivered later than in previous years due to the impact of new auditing standard requirements, late revaluation of some property assets and the subsequent timing of the Finance, Audit and Performance Management Committee.***
- ***the draft statements were presented for audit on 31 May 2023. This was before the deadline of 31 July 2023 set by Welsh Government.***
- ***the draft statements presented for audit were of good quality.***
- ***the Authority’s Annual Governance Statement and Narrative Report were prepared in line with the CIPFA Code and relevant guidance. They were consistent with the financial statements prepared by the Authority and with our knowledge of the Authority.***
- ***a small number of changes were made to the Authority’s financial statements arising from our audit work, which were reported to the Finance, Audit and Performance Management Committee in our Audit of Financial Statements Report in December 2023.***
- ***the Auditor General issued the certificate confirming that the audit of accounts for 2022-23 has been completed.***

Additionally, the Auditor General stated that for continuous improvement:



***“The Auditor General certified that the Authority has met its legal duties for improvement planning and reporting and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2022-23.”***

In respect of the Audit Wales Local project - False Fire Alarm Reduction:

***In June 2023 we published our report on reducing false fire alarms within the Authority. We concluded that the Authority has made progress in its approach to managing fire false alarms. Making better use of data and learning from elsewhere will identify opportunities to better manage performance and risks.***

The Audit Wales findings across the three Welsh Fire Authorities were published in the [Putting out the false alarms: Fire and Rescue Authorities’ responses to Unwanted Fire Signals Report of the Auditor General for Wales October 2023](#).

In addition to the Internal and external audit programmes as outlined above a number of the day-to-day Corporate (Internal) Governance processes have operated satisfactorily throughout the year. The data in the table below is for the period 01 April 2023 to 31 March 2024

Issues identified	Performance in 2023-2024
Formal reports by Section 127 or Monitoring Officer	None issued
Issues Identified by those charged with governance or Monitoring Officer recommendations	No significant issues or breaches of Officer conduct have occurred
Proven frauds carried out by members of staff	None
Use of Regulation of investigatory Powers Act	There were no applications for RIPA authorisations in 2023-2024, nor were there any previous authorisations that carried onto 2022-2023.
Complaints and Compliments received from members of the public	A total of 76 complaints received in 2023-2024. A total of 111 letters of thanks received during 2023 - 2024.
Number of disclosure or concerns of wrongdoing cases raised through the 3 potential routes indicated:	There were 56 cases that qualify as disclosures or concerns items during 2023-2024. <ul style="list-style-type: none"> <li>• WHISTLE BLOWING – 1</li> <li>• FRS SPEAK UP – 53</li> <li>• RAISING CONCERNS EMAIL – 2</li> </ul>
Grievances and Disciplinaries	Grievances - 11 Disciplinaries – 17 Dismissals - 9
Independent Culture Review	The Morris report identified 82 recommendations <a href="#">which can be seen on page 127</a> of the report

## 6. How We Met Significant Governance Issues and Challenges for 2023-2024

The Service fully supported the Independent Review of:

- the culture of the Service
- discipline processes
- historic cases of where employees have failed to uphold our professional values and standards.

The service fully cooperated with the Independent Culture Review team, encouraging staff past and present to openly engage with all aspect of the review.

When the review was published a series of events were held across the Service to engage with staff sharing the outcomes, the content of the Draft Action plan that was drawn up and to encourage staff from all across the organisation to volunteer for involvement in the Culture Review working groups.

Following the publication of the HMIFRS report on [Values and culture in fire and rescue services](#) in March 2023 the Service developed an action plan. This was progressed and reported to Welsh Government. An example of progress on this action plan was the introduction of DBS Checks for all staff at the Enhanced with Barring level.

On publication of the Morris Report and its associated recommendations a draft action plan was developed, and a widespread engagement programme initiated by the Senior Leadership Team at the time.

During 2023/2024 the Service also continued to support the work of White Ribbon. Following suspension of the accreditation in December 2022 the Service continued to engage with White Ribbon in the development of a three-year action plan. On the publication of the Morris Report White ribbon rescinded the South Wales Fire and Rescue Service Accreditation with immediate effect.

The Service also continued to engage with and perform against the IIP action plans that are currently running.

The Service continued to prepare for potential business continuity events including ensuring that the good preparation work for such events in the previous year were embedded and became business as usual. This involved regular exercising and testing of varied business continuity plans.

Meetings of the those charged with governance continued to be held in a hybrid fashion of in person and virtually, using video conferencing software and recorded for publication online. The Service continues to work towards embodying the full provisions of the Local Government and Elections (Wales) Act 2021 including the broadcasting and access to recordings of governance meetings.

The work that the Service was completing towards accepted recommendations from the two Welsh Government Fire Advisor Thematic reviews of broadening the role of

the firefighter and operational training were not sufficient to satisfy Welsh Government that the Service was interested in better ways of fighting house fires or minimising the risk of fatigue, or ensuring that firefighters have the skills they need. This is one of the reasons that Welsh Government instigated the Commissioner led intervention.

The challenges within Fire Control continued to be considered by the Fire Control Review team. This work will be further advanced through the working groups that are delivering the recommendations of the Morris Report.

SWFRS will continue to safely deliver services to the communities we serve using the robust risk assessments by maintaining the procedures for safe systems of work, maintaining good hygiene and working safely both within operational incidents and in the general workplace.

Staff who can work from home were still enabled to do so whilst ensuring that all teams are represented effectively in the workplace. The Service was adopting a flexible approach to recognising that individuals will have a designated workplace, this work is now being progressed by the Policies and Procedures Cultural Review working group.

The Service continued the development of the Business Management Information System (BMIS) to support effective information gathering and real time decision making in times of business continuity events and to support business as usual.

The Service's integrated Core HR and Payroll system was further developed to streamline pay processes and the services offered for internal customers. The exit procedure was enhanced with auto generated questionnaires and the Services on boarding processes were improved.

The Services Wellbeing Delivery Group continued activity promoting and generating Wellbeing improvements for all staffing groups. The Service also began a review and refresh of Equality, Inclusion and Diversity activity, establishing a baseline and identifying future strategy. Station wellbeing areas continued to be developed across the Service resulting from the successful mental health project and biodiversity action plan which will continue to be a future focus of the organisation.

The Service did not however manage to progress Phase 2 of the Job Evaluation Project which will include reviews of Job Titles and allowances for on call / out of hours cover by green book staff.

Changes to pension and tax legislation continued to provide challenges to the organisation. The temporary restructure to provide capacity to deal with these complex issues was in place and progress was regularly reported to the Local Pension Board and those charged with governance.

Public Sector Funding continued to be an increasing challenge. The continuing impact of increased demand on public sector services and spending reductions in the wider public sector alongside the cost-of-living crisis is a key issue for the Service and the settlements that local authorities face is always considered when the Service



sets its annual budget. These factors are always carefully considered when determining the MTFS.

The Service took all necessary actions to ensure that all the requirements placed on it by the Local Government and Elections (Wales) Act 2021 to ensure that all provisions are implemented.

The Service continued to follow the progress of national negotiations on pay and the broadening of the firefighter role and assess any consequent impacts upon the Authority and its financial arrangements.

Looking to longer term improvement and developments the Service continued to progress the Biodiversity and Carbon Reduction plans. The introduction of the Sustainability Steering Group (SSG) which has representation from key areas of the organisation i.e., Property, Facilities, Fleet, Procurement, Service Improvement, provided oversight of current and prospective sustainable projects in addition to monitoring the carbon footprint proving fruitful in embedding the changes required to begin to meet this significant challenge.

The Service saw progress in the preparatory and planning work to introduce and embed 'sustainable procurement' (SP), as a method of understanding where our suppliers are in their sustainability journey and to better monitor and aid decision making on the impact procurement has on the Services carbon footprint metric.

The Socio-Economic Duty continued to be embedded at the heart of decision making and delivering services. As a public body subject to the duty, the Service considered how strategic decisions can improve inequality of outcome for people who suffer socio-economic disadvantage. A statement on how we consider and act upon the Socio-Economic Duty can be seen on page 11 of the year 5 update of our Strategic plan which can be viewed [here](#).

The Service continues to be an active participant in the Joint Emergency Services Group (JESG) and along with the other partner agencies continue to work collaboratively to improve the services provided to and outcomes for our communities.

On the appointment of the Commissioners for South Wales Fire and Rescue Service a number of significant actions have been implemented at pace. An Interim Chief Fire Officer, Stuart Millington was appointed from outside the Service. Two Assistance Chief Fire Officers were temporarily promoted from substantive Area Managers within the Service. A Director of Strategic Change and Transformation, Domonic Mika, was appointed from outside the Service.

A number of engagement visits were carried out by Commissioners to familiarise themselves with the Service and current issues.

CFO Millington paused all Station visits from senior officers in the Service and embarked on a significant meet and greet programme across Stations and Departments within the Service to establish a baseline to develop areas for improvement.



An alternative executive governance programme and method of working began to be developed and established. Similarly, CFO Millington instigated an update of the Corporate (Internal) Governance structures within the Service.

## **7. Significant Governance Issues and Challenges for 2024-2025**

There are several significant governance issues for the Service to address in 2024 – 2025 and beyond of which the most significant of these are noted in the Governance Action Plan 2024 – 2025 in this document. The purpose of this section is to provide context around the actions identified.

Following the Welsh Government Intervention the Executive Governance Model – Commissioner Led is nearing completion and will be finalised in the near term. Underpinning this the work to develop and instigate an improved Corporate (Internal) Governance Model is underway. The intention is to ensure that both governance models are developed and embedded with supporting performance indicators and assurance mechanisms.

The Assurance and Performance measures will be developed to be reflective of the true and proper situation of the Service.

The achievement of all the Commissioners Terms of Reference are key deliverables. As summarised below will include but not be limited to:

- Implement the recommendations of the Morris Report
- Establish and oversee a new senior management team
- Establish and implement a process to identify grievance cases which may have been improperly and/or unfairly dealt with.
- Implement the recommendations made in the Chief Fire and Rescue Adviser's thematic reviews on:
  - learning from Grenfell Tower Inquiry
  - fire and rescue service capacity
  - fire and rescue service operational training
- Deliver a significant and sustained reduction in attendance at false alarms.
- Develop proposals for the future governance of FRA
- Discharge other functions of the FRA.
- Advise the Welsh Government on progress and identify an appropriate exit strategy.
- Undertake all their work in the full spirit of social partnership.

The development of and exit Strategy for the Commissioner Led Intervention with a new sustainable governance model is a longer-term outcome that will be achieved in partnership with Welsh Government.

The above will be achieved by supporting and enabling the Culture Review and Thematic Review working groups that have been internally commissioned to deliver the change and transformation programme. A key factor in this will be the support of the Director of Strategic Change and Transformation.

The culture improvement work planned within the Service is expected to be fully aligned with the ongoing work on the HMICFRS Values and Culture action plan. An element of that which will complete early in this governance plan is the DBS Checks Enhanced with Barring completed 2024/2025. Similarly, the introduction of 360 degree feedback as part of the personal review process which will be embedded at the Executive Team level initially with support this work.

An independent review of Health and Safety provision within the Service has been instigated to provide an impartial view of the current model and determine the most appropriate model going forward to support a modern progressive Fire and Rescue Service.

Recommendations and actions following on from the Welsh Government Equality and Social Justice Committee evidence panels in respect of the Governance of Fire and Rescue Services will be acted on by the Service when this information is available.

Public Sector Funding is an increasing challenge for all. The continuing impact of increased demand on public sector services and spending reductions in the public sector is a key issue for the organisation and the settlements that local authorities face will always be considered when the Service sets its annual budget. These factors, as well as the significant costs of addressing the shortcomings within the Service requiring the intervention of Welsh Government and subsequent improvement activity will be carefully considered when determining the MTFS update.

The Socio-Economic Duty will continue to be embedded at the heart of the Service decision making and delivering of services. As a public body subject to the duty, we consider how our strategic decisions can improve inequality of outcome for people who suffer socio-economic disadvantage. A statement on how we consider and act upon the Socio-Economic Duty and the Services responsibilities and obligations under the Social Partnership and Public Procurement (Wales) Act 2023 will be at the heart of the refreshed long term strategic plan for the Service that will be published in March 2025.

## 8. Governance Action Plans

### Governance action Plan 2023-2024

Governance Action Plan 2023-2024			
Improvement Area	Action	Outcome	Completion Date
Industrial Action (IA) <b>Lead Officer:</b> Assistant Chief Fire Officer – Director of Technical Services	To continue to test and have in place robust and effective business continuity plans to enable the Service to deliver its statutory duties in times of IA.	During times of IA, the Service can deliver its statutory duty to receive and action emergency incidents where there is risk to life or property.	Mar 2024
<b>Progress:</b> Exercises are ongoing to test capability against business continuity plans. The Service has a robust Auxiliary Firefighting and Control capability in place to provide reduced cover in periods of industrial action. Over the last 12 months a number of exercises have been facilitated to test the capability of response. Learning from these events has been incorporated into updated plans. The recruitment of additional Auxiliary FF and Control staff continues.			
Independent Review <b>Lead Officer:</b> Chief Fire Officer	To put in place, support and champion the mechanism and process of an independent review into: <ul style="list-style-type: none"> <li>the culture of the Service</li> <li>discipline processes</li> </ul> historic cases of where employees have failed to uphold our professional values and standards.	To receive learning and recommendations from the independent review; and to develop and implement actions to address the recommendations of the Review.	Mar 2024
<b>PROGRESS:</b> The review was supported by the Service throughout the process. The resulting Welsh Government Commissioner led intervention has begun with recommendations accepted and further terms of reference for the Commissioners being action planned for delivery will feature in the 2024-2025 Governance Action Plan			

## Governance Action Plan 2023-2024

Improvement Area	Action	Outcome	Completion Date
Job Evaluation Phase 2 <b>Lead Officer:</b> Assistant Chief Officer – Director People Services	1. Phase 2 of the programme to establish a more coherent approach for naming conventions across the Service for Corporate Roles. There will also be a review of the allowances applied to particular corporate roles. 2. Identify future working practices for the Service to enable consistent Job Evaluation activity	1. Review of Job Titles and Allowances. 2. Established process for future Job Evaluation activity.	1. Mar 2024 2. Sep 2023
<b>PROGRESS:</b> 1. Due to more pressing priorities the review of job titles and allowances has not been completed. An SLT task and finish group will be commissioned with this in 2024-2025. 2. Complete. Job Evaluation processes and capability within the People Services Department have been established.			
Fire Fighter Pensions <b>Lead Officer:</b> Assistant Chief Officer - Director People Services	To implement the decision of the Employment Tribunal in respect of: <ul style="list-style-type: none"> <li>McCloud / Sargeant - age.</li> <li>Matthews / Obrien (M/O) par time working regs</li> </ul>	Firefighters' pensions corrected and calculated appropriately going forward.	As per the new legislative framework.
<b>Progress:</b> <ul style="list-style-type: none"> <li>Completed. McCloud / Sargeant - response and actions have transitioned to business as usual.</li> <li>Matthews/Obrien delay in Wales has hampered implementation of the regulations. This will continue to feature in the 2024 – 2025 Governance Plan.</li> </ul>			



## Governance Action Plan 2023-2024

Improvement Area	Action	Outcome	Completion Date
Living Wage Foundation Accreditation <b>Lead Officer:</b> Assistant Chief Officer - Director People Services	Achieve confirmation of living wage accreditation.	Become an accredited living wage employer.	Sept 2024
<b>PROGRESS:</b> South Wales Fire and Rescue Service are currently paying employees over and above the Real Living Wage and is an accredited Real Living Wage employer ( <a href="#">link</a> ).			
Biodiversity and Carbon Reduction Plan <b>Lead Officer:</b> Assistant Chief Officer - Director Corporate Services	To seek to maintain and enhance biodiversity and reduce the carbon footprint in the proper execution of the Services functions, and in doing so promote the resilience of ecosystems.	Develop and implement the first 3-year plan to reduce the impact of the Service on the environment and support the Environmental objectives of the Wellbeing Future Generations Act.	Mar 2024
<b>PROGRESS:</b> The annual Carbon reduction Plan (CRP) updated was reported to the 25 September 2023 Fire Authority with the following highlights for 2023/24 - <ul style="list-style-type: none"> <li>• Introduction of sustainable procurement practices.</li> <li>• Increased / Improved green spaces.</li> <li>• Establishing repeatable baseline data format</li> </ul> Work will continues into 2024-2025 and beyond			

## Governance Action Plan 2023-2024

Improvement Area	Action	Outcome	Completion Date
CIPFA Financial Management Code 2019 <b>Lead Officer:</b> Treasurer	Embody actions and recommendations from the self-assessment of the Service's compliance with the principles of the CIPFA FM Code.	Improve financial resilience of the Service by embedding enhanced standards of financial management. Address any gaps or limitations in compliance with the FM Code.	Mar 2024  Planned to continue into 2023-24
<b>PROGRESS:</b> <ul style="list-style-type: none"> <li>The revised budget consultation has been actioned.</li> <li>Performance Data development has been completed for consideration in the new Governance arrangements.</li> <li>Similarly project documentation and sign off has been completed for consideration in the new Governance arrangements.</li> <li>An audit has been undertaken regarding Contract Management with a supporting action plan to act on recommendations and improve.</li> </ul>			
COVID Enquiry  <b>Lead Officer:</b> Chief Fire Officer	Prepare to respond to the Covid 19 Enquiry		Mar 2024
<b>PROGRESS: Complete.</b> During the Service's Covid response decisions made at the time were fully recorded and learning points extracted during the process. This documentation has been safely collated and archives in preparation of response.			

## Governance Action Plan 2023-2024

Improvement Area	Action	Outcome	Completion Date
Internal Communication of Constitution and contents  <b>Lead Officer:</b> Assistant Chief Officer - Director Corporate Services	To complete and evidence communication and understanding of the constitution across the Service specifically officer code of conduct section	All staff within the Service have read and understood the Officers Code of Conduct	Dec 2023
<b>PROGRESS:</b> Following the publication of the Morris report, a review of the officer's code of conduct will form part the Culture Review Working Groups areas for consideration. These will be updated and implemented in line with the recommendations made in the Morris Report.			
Fire Control Review <b>Lead Officer:</b> Assistant Chief Fire Officer - Director of Service Delivery	Implementation of the Joint Fire Control review report 5 Key Task Areas (KTA) published in September 2021.	Service able to fulfil its statutory duty. An efficient, effective, and resilient Joint Fire Control room function.	Mar 2024
<b>PROGRESS:</b> Work continues to work collaboratively between the Services in full consultation with the staff groups and their representative bodies. Learning from the Morris Report is being embodied into future action. This action will now be subsumed into normal business and the improvement work from the Morris Report and the work of the Commissioners.			

## Governance action Plan 2024-2025

<b>Governance Action Plan 2024-2025</b>			
<b>Improvement Area</b>	<b>Planned Action</b>	<b>Lead Officer</b>	<b>Completion Date</b>
Commissioners Governance Model	Identify and implement a suitable governance model for the Commissioner led intervention	Assistant Chief Officer - Director Corporate Services	Sep 2024
Revise the Constitution of the Service	Revise and publish the Constitution	Assistant Chief Officer - Director Corporate Services	Sep 2024
Establish and oversee a new senior management team	Establish a Senior Leadership Team to deliver the Service through the change programme.	Chief Fire Officer	Sep 2024
Implementation of Morris Report Recommendations	Address the recommendation in the Morris Report to establish an improved culture in SWFRS.	Assistant Chief Officer - Director Strategic Change and Transformation	Sep 2025
Delivery of Thematic Reviews Recommendations	Commission Thematic review working groups to deliver the recommendation from the Chief Fire Advisor Thematic reviews.	Chief Fire Officer	Mar 2025
Deliver the Terms of Reference of the Commissioners	Complete the terms of reference charged to the Commissioners	Chief Fire Officer	Sep 2025
Corporate (Internal) Governance and KPI review	Establish a high functioning corporate (internal) governance structure with associated performance and assurance metrics to evidence realistic assessment of performance.	Chief Fire Officer	Aug 2024
Review of historic grievance cases.	Establish and implement a process to identify grievance cases which may have been improperly and/or unfairly dealt with	Assistant Chief Officer - Director People Services	Mar 2025
Reduction of False Alarm attendance.	Deliver a significant and sustained reduction in attendance at false alarms	Assistant Chief Fire Officer - Director Service Delivery	Dec 2024
Future Governance	Develop proposals for the future governance of the Fire and Rescue Authority	Assistant Chief Officer - Director Corporate Services	Sept 2025



## Governance Action Plan 2024-2025

Improvement Area	Planned Action	Lead Officer	Completion Date
Intervention Exit Strategy	Advise the Welsh Government on progress and identify an appropriate exit strategy.	Chief Fire Officer	Sept 2025
Job Evaluation Phase 2	Phase 2 of the programme to establish a more coherent approach for naming conventions across the Service for Corporate Roles. There will also be a review of the allowances applied to particular corporate roles.	Assistant Chief Officer – Director People Services	Mar 2024
Fire Fighter Pensions	To implement the decision of the Employment Tribunal in respect of Matthews / Obrien part time working regs	Assistant Chief Officer - Director People Services	As per the new legislative framework.
Medium Term Financial Plan	Further develop the MTFP in terms of efficiency savings arising from Strategic Transformation across the Service	Treasurer	Feb 2025 budget setting.

South Wales Fire and Rescue Service recognises its responsibility as a public service organisation to both provide a vision for the community it serves and to lead by example in its decision making and other processes and actions, with those charged with governance and officers acting in accordance with high standards of conduct. The organisation operates in an economical, effective, efficient, and ethical manner.

The organisation recognises that good governance provides the foundation for the delivery of good quality services that meet the needs of stakeholders and ensures that public money is well spent. The Welsh Government did not consider that its governance arrangements for 20223-2024 remained fit for purpose and therefore implemented a commissioner led intervention to exercise the functions of the Authority and address the shortcomings that the Welsh Government identified.



It is believed that that some elements of the scrutiny, internal and external audit processes as well as risk management demonstrated that the Corporate (Internal) Governance in the organisation was partially effective. However, the existing arrangements were not deemed fit for purpose and the Service was not considered well placed to meet its aims and objectives, to achieve the intended outcomes for the community and service users.

The Commissioners are now satisfied that with the changes already instigated since their appointment and with the achievement of the Governance Action Plan 2024 -2025 that appropriate governance arrangements will be in place for 2024 -2025 and beyond. The Commissioners are committed to further enhancing these through continual review of the governance improvement arrangements.

## **10. Joint Statement by the Commissioners for South Wales Fire & Rescue Service and Chief Fire Officer**

We propose to take steps to address all the above matters to further enhance the governance arrangements during the coming year as outlined in the plan above. 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. However, due to external influences beyond our control it may not be possible to achieve everything identified.

The Annual Governance Statement for 2024-2025, will include an updated position against the governance issues identified in the 2023-2024 Statement.

<b>Commissioners for South Wales Fire &amp; Rescue Service</b>	
 Signed:	Date: 26/09/2024
<b>Interim Chief Fire Officer</b>	
 Signed:	Date: 26/09/2024

## AUDITOR'S REPORT

### The report of the Auditor General for Wales to the Commissioners of South Wales Fire and Rescue Authority

#### Opinion on financial statements

I have audited the financial statements of:

- South Wales Fire and Rescue Authority;
- South Wales Fire and Rescue Authority Firefighters Pension Fund

for the year ended 31 March 2024 under the Public Audit (Wales) Act 2004.

South Wales Fire and Rescue Authority's financial statements comprise the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Movement in Reserves Statement, the Cash Flow Statement and the related notes, including the material accounting policies.

The Firefighters Pension Fund Accounts comprise the Fund Account and Net Assets Statement and related notes including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

In my opinion, in all material respects, the financial statements:

- give a true and fair view of the financial position of South Wales Fire and Rescue Authority and the South Wales Fire and Rescue Authority Firefighters Pension Fund as at 31 March 2024 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report.

My staff and I are independent of the South Wales Fire and Rescue Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighters Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023-24;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

### **Matters on which I report by exception**



In the light of the knowledge and understanding of South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- I have not received all the information and explanations I require for my audit;
- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements are not in agreement with the accounting records and returns.

### **Responsibilities of the responsible financial officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for:

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error; and
- assessing the South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible financial officer anticipates that the services provided by South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighters Pension Fund will not continue to be provided in the future.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit the financial statements in accordance with section 13(2) of the Public Audit (Wales) Act 2004.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the posting of unusual journals;
- Obtaining an understanding of South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund's framework of authority as well as other legal and regulatory frameworks that South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund; and
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Board of Commissioners and legal advisors about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighters Pension Fund's controls, and the nature, timing and extent of the audit procedures performed.


A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Other auditor's responsibilities**

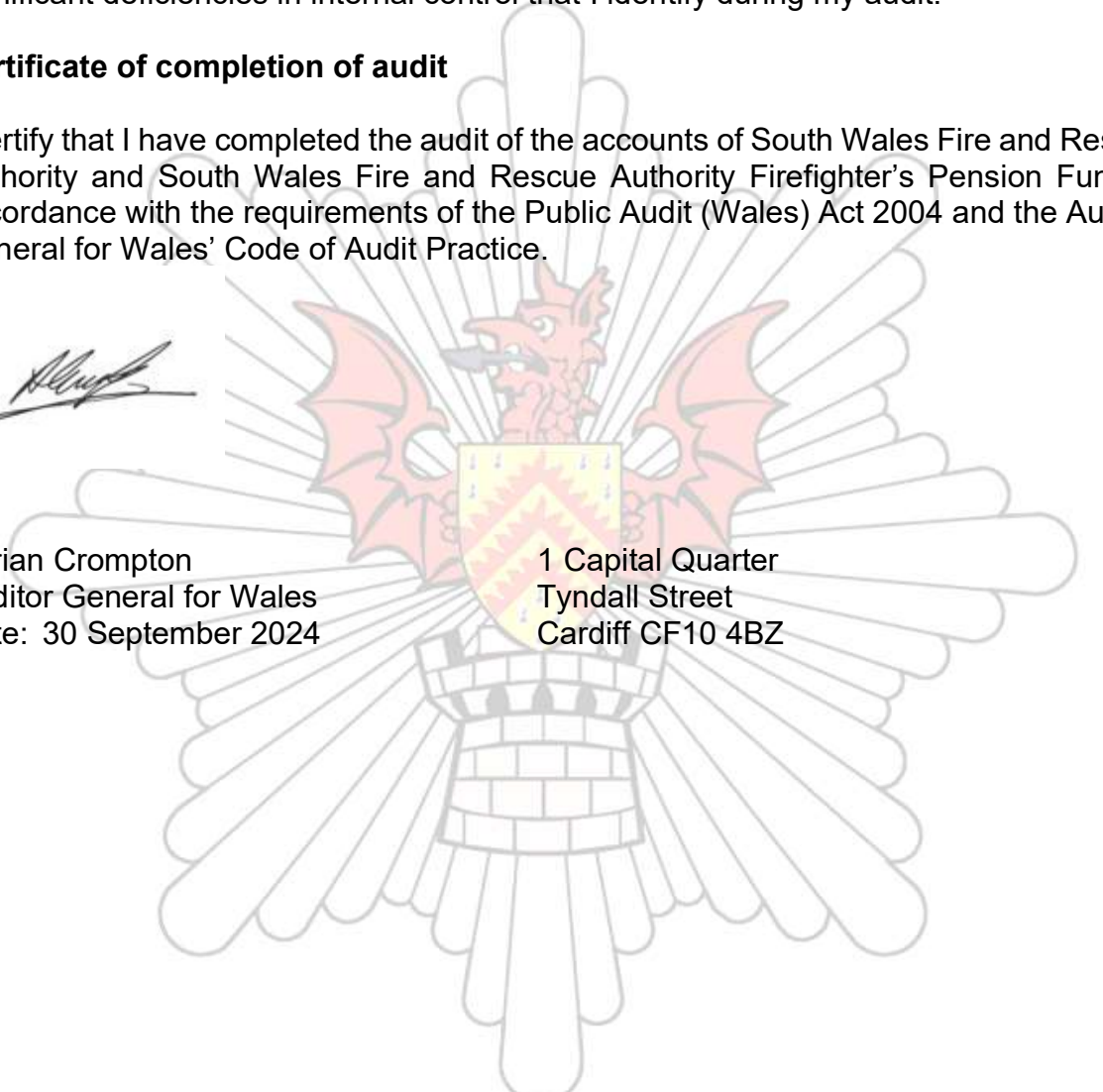
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.



Adrian Crompton  
Auditor General for Wales  
Date: 30 September 2024



1 Capital Quarter  
Tyndall Street  
Cardiff CF10 4BZ

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)

2022/23				2023/24		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
84,431	-8,398	76,033	Fire Fighting costs	75,456	-3,531	71,925
84,431	-8,398	76,033	<b>Cost of Services</b>	75,456	-3,531	71,925
0	13	13	Other operating income & expenditure (note 6)	0	-82	-82
27,564	-260	27,304	Financing and investment income and expenditure (note 7)	32,683	-558	32,125
0	-81,694	-81,694	Taxation and non-specific grant income (note 8)	0	-91,133	-91,133
		<b>21,656</b>	<b>Deficit on Provision of Services</b>			<b>12,835</b>
0	5,995	-5,995	Surplus or Deficit on Revaluation of Property, Plant and Equipment	0	1,930	1,930
		-324,600	Re-measurement of the net defined benefit (asset) / liability (note 21 & 34)			13,008
		<b>-330,595</b>	<b>Other Comprehensive (Income) and Expenditure (MiRS)</b>			<b>14,938</b>
		<b>-308,939</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>27,773</b>



## MOVEMENT IN RESERVES STATEMENT (MiRS)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance as at 31 March 2023 carried forward	-3,000	-13,967	0	-16,967	633,923	616,956
Total Comprehensive Income and Expenditure	12,835	0	0	12,835	14,938	27,773
Adjustments between accounting basis and funding basis under regulations (note 3)	-13,049	465	0	-12,584	12,584	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	-214	465	0	251	27,522	27,773
Transfers to/(from) Earmarked Reserves	214	-214	0	0	0	0
(Increase)/Decrease in 2023/24	0	251	0	251	27,522	27,773
Balance as at 31 March 2024 carried forward	-3,000	-13,716	0	-16,716	661,445	644,729

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31 March 2022 carried forward	-3,000	-14,174	0	-17,174	943,069	925,895
<b>Total Comprehensive Income and Expenditure</b>	<b>21,656</b>	<b>0</b>	<b>0</b>	<b>21,656</b>	<b>-330,595</b>	<b>-308,939</b>
Adjustments between accounting basis and funding basis under regulations (note 3)	-21,761	312	0	-21,449	21,449	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>-105</b>	<b>312</b>	<b>0</b>	<b>207</b>	<b>-309,146</b>	<b>-308,939</b>
Transfers to/(from) Earmarked Reserves	105	-105	0	0	0	0
<b>(Increase)/Decrease in 2022/23</b>	<b>0</b>	<b>207</b>	<b>0</b>	<b>207</b>	<b>-309,146</b>	<b>-308,939</b>
<b>Balance as at 31 March 2023 carried forward</b>	<b>-3,000</b>	<b>-13,967</b>	<b>0</b>	<b>-16,967</b>	<b>633,923</b>	<b>616,956</b>

## BALANCE SHEET

31 March 2023		31 March 2024	
£000		£000	Notes
93,414	Property, Plant and Equipment	90,099	9
184	Intangible assets	127	
100	Long Term Debtors	0	13
<b>93,698</b>	<b>Long Term Assets</b>	<b>90,226</b>	
1,073	Inventories	1,078	
6,071	Short Term Debtors	6,088	13
2,163	Cash and Cash Equivalents	416	14
<b>9,307</b>	<b>Current Assets</b>	<b>7,582</b>	
-437	Short Term Liabilities	-91	33
-1,535	Short Term Borrowing	-4,259	10
-5,425	Short Term Creditors	-4,559	15
-38	Provisions	0	16
<b>-7,435</b>	<b>Current Liabilities</b>	<b>-8,909</b>	
-25,354	Long Term Borrowing	-23,959	10
-3,240	Other Long Term Liabilities – PFI	-3,149	33
-683,932	Liability related to defined benefit pension schemes	-706,520	34
<b>-712,526</b>	<b>Long Term Liabilities</b>	<b>-733,628</b>	
<b>-616,956</b>	<b>Net Assets</b>	<b>-644,729</b>	
-16,967	Usable Reserves	-16,716	17
633,923	Unusable Reserves	661,445	18
<b>616,956</b>	<b>Total Reserves</b>	<b>644,729</b>	

## CASH FLOW STATEMENT

2022/23		2023/24
£000		£000
21,656	<b>Net deficit on the Provision of Services</b> (CIES & note 23)	12,835
-25,749	Adjustments to net surplus or deficit on the Provision of Services for non-cash movements (note 23)	-17,575
161	Adjustments for items included in the net surplus or deficit on the Provision of Services that are Investing and Financing activities (note 23)	-240
-3,932	Net cash (inflow)/outflow from Operating Activities	-4,980
5,792	Investing Activities (note 24)	6,772
3,135	Financing Activities (note 24)	-45
4,995	Net (increase) or decrease in cash and cash equivalents	1,747
7,158	Cash and cash equivalents at the beginning of the reporting period	2,163
2,163	<b>Cash and cash equivalents at the end of the reporting period (note 14)</b>	416

**Note**

A detailed breakdown of the above is provided in note 23 and 24.



## **ACCOUNTING POLICIES**

### **GENERAL**

The Statement of Accounts summarises the Service's transactions for the 2023/24 financial year and its position for the year ended 31 March 2024. The Service is required to prepare an annual Statement of Accounts by the Accounts and Audit (Wales) Regulations 2014, in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### **ACCRUALS INCOME AND EXPENDITURE**

In the revenue accounts, income and expenditure are accounted for, net of recoverable VAT, in the year in which they arise, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due are accounted for as income at the date the Service provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and consumption they are carried as inventories on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income 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 it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **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 highly liquid investments that are readily convertible to known amounts of cash in no more than three months with insignificant risk of change in value.

### **CHARGES TO REVENUE FOR NON CURRENT ASSETS**

Cost of services 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 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 assets attributable to the service

The Service is not required to raise contributions 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. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by contributions made from General Fund Balances i.e. minimum revenue provision (MRP) and capital expenditure to revenue account (CERA) by way of an adjusting transaction with the Capital Adjustment Account in the MiRS.

## **EMPLOYEE BENEFITS**

### **Benefits payable during employment**

Salaries and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period ('accumulated absences') is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Service to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy/retirement. These costs are charged on an accruals basis when the Service is demonstrably committed to the termination of the employment of an officer or group of officers or 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 amount payable by the Service 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**

### **Pensions**

The Service participates in distinct pension schemes for Fire fighter and corporate members of staff. The schemes are as follows:

#### **1. Fire Fighter Pension Schemes (FPS)**

The Fire Fighters pension schemes are unfunded defined benefit schemes, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet the actual pension payments as they fall due. Employee and employer contributions are based on a percentage of pensionable pay set nationally by the Welsh Government and this is subject to quadrennial revaluation by Government Actuary's Department (GAD).

The pension fund is treated as a separate income and expenditure statement in the Statement of Accounts and is ring fenced to ensure accounting clarity, please see notes 21, 34 and the 'Fire fighters Pension Fund Account' for more detail. It is through the pension fund that the Service discharges its responsibility for paying the pensions of retired officers, their survivors and others who are eligible for benefits under the scheme.

The estimated long term liability to the Service to meet these costs is disclosed by a note to the accounts as required by IAS 19.

## **2. Corporate and Control Room Staff**

This is a funded scheme with pensions paid from the underlying investment funds managed by Rhondda Cynon Taff County Borough Council pension fund (the 'fund') which is part of the Local Government Pension Scheme (LGPS). Actuaries determine the employer's contribution rate. Further costs, which arise in respect of certain pensions paid to retired employees, are paid on an unfunded basis. Please see note 34 for more detail.

## **EVENTS AFTER THE REPORTING PERIOD**

Events after the reporting period are those 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), and
- b) Those that are indicative of conditions that arose after the reporting period (non-adjusting).

## **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 Service'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 period.

## **FINANCIAL INSTRUMENTS**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Service 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.

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

### **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
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Service's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Service 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 (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the Service, 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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

The Service has adopted a simple approach to impairment and measures the loss of Trade Debtors and Loans to Third Parties at an amount equal to expected lifetime loss using a provision largely based on the age of the debt. This method ensures early recognition of the impairment of financial assets.

### **GOVERNMENT GRANTS AND CONTRIBUTIONS**

Government grants and third party contributions are recognised as income at the date the Service satisfies the conditions of entitlement, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has either been incurred or there exists reasonable expectation. Revenue grants are matched in service revenue accounts with service expenditure to which they relate. Grants to cover



general expenditure are credited to the foot of the CIES after Net Operating Expenditure.

## **INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the balance sheet at the lower of cost or NRV. The cost of inventories is assigned using the Average Cost Method (AVCO).

## **LEASES**

### **Finance leases**

Where substantially all risks and rewards of ownership of a leased asset are borne by the Service, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability. The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to 'Financing and Investment Income and Expenditure' costs in the CIES.

### **Operating Leases**

Where assets are available for use under leasing arrangements, the rentals payable are charged to the cost of service on a straight-line basis irrespective of the payment arrangements. Since the Service does not own these assets, the cost does not appear in the Balance Sheet.

## **PROPERTY, PLANT AND EQUIPMENT**

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment 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 Service and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Property, Plant and Equipment are capitalised where:

- it is held for use in delivering services;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Service;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- the cost of the individual asset is at least £15,000;
- the items form a group of assets which individually have a cost of at least £500, collectively have a cost of at least £60,000, where the assets are functionally interdependent, they broadly have simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; and

- the items form part of the initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.
- Where the acquisition or creation of IT systems incorporates both physical hardware and licences to use the system, judgement is made as to whether this will be classified wholly as Property, Plant and Equipment or Intangible Assets, as per the CIPFA Code of Practice on Local Council Accounting.

### **Measurement (Valuation Basis)**

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Property is subsequently valued for the financial statements on the basis of 'fair value' (FV) and, where the property is of a specialist nature, i.e. operational and there is no active market, depreciated replacement cost (DRC) has been applied.

Land and building assets are valued every 5 years by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Annual impairment reviews are carried out in other years internally. The annual reviews are conducted using the most appropriate information available at the date of the review. A full revaluation was last carried out 31 March 2020 and a desktop valuation was carried out as at 31 March 2024 to reflect increases in property value for buildings held at Depreciated Replacement Cost.

The Service 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 Service). 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 Service.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement. Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets under construction - historical cost.
- Surplus assets – fair value.
- All other assets - current value, determined as the amount that would be paid for the asset in its existing use.

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 have short useful lives and/or low values, 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 the year-end, but as a minimum every five years.

The Revaluation Reserve contains revaluation gains recognised since 31 March 2010 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **Subsequent expenditure**

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is added to the asset's carrying value. Where subsequent expenditure is simply restoring the asset to the specification assumed by its economic useful life then the expenditure is charged to operating expenses.

### **Revaluation and impairment**

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairment previously recognised in operating expenses, in which case they are recognised in operating income.

Decreases in asset values and impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Comprehensive Income and Expenditure Statement (CIES) and 'other comprehensive income and expenditure'.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the remaining life of the property as estimated by the valuer.
- Vehicles, plant and equipment – straight line allocation over the remaining useful life (if bought before 31 December in the year of account).
- Land – depreciation is not applied to land.
- Software is depreciated on a straight line basis over periods of up to 5 years.
- No residual value is accounted for.

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.



## **Disposals**

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 Income and Expenditure line 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 line in the Comprehensive Income and Expenditure Statement also 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 disposal of assets are categorised as capital receipts and credited to the Capital Receipts Reserve to be used only for new capital investment or set aside to reduce the Service's underlying need to borrow. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement. The written-off value of disposals is not a charge against contributions, 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.

## **Private Finance Initiative (PFI)**

The Service has entered into a long term contractual agreement under PFI for the provision of the training centre at Cardiff Gate. Under the scheme the Welsh Government provides some revenue support to the project in the form of an annual grant (PFI credits), and the Service funds the balance by making contributions from the annual revenue budget.

In order to spread contributions evenly over the life of the contract an equalisation reserve is operated whereby surplus credits and contributions are invested and used to reduce contributions in later years. The reserve will be reviewed annually and contributions amended with the intention that the balance on the reserve at the end of the contract will be nil.

## **Provisions**

Provisions are made where an event has taken place that gives the Service an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate revenue account when the Service becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required, the provision is reversed and credited back to the relevant revenue account.

## **Contingent Liabilities**

IAS 37 defines contingent liabilities as either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Service's control,



- or a present obligation that arises from past events but is not recognised because:
  - a) it is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - b) the amount of the obligation cannot be measured with sufficient reliability.

Where a contingent liability exists it would not be recognised within the accounts as an item of expenditure, but would be disclosed in a note to the balance sheet which would describe the nature of the contingent liability and where practicable an estimate of its financial effect and an indication of the uncertainties related to the amount of any outflow.

### **Reserves**

The Service maintains reserves to meet future expenditure. These are disclosed within the balance sheet and their purposes are explained in the notes to the balance sheet.

### **Value Added Tax (VAT)**

The Service is reimbursed for VAT incurred and the revenue accounts have therefore been prepared exclusive of this tax.

## **ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED**

New standards and amendments to existing standards that have been published but not adopted by the Code until 2024/25 are:

- IFRS 16 Leases
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

It is not anticipated that the above amendments will have a material impact on the information provided in the Service's financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Note 1 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies, the Service has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements in the statement of accounts are;

- There is a high degree of uncertainty about future levels of funding for Local Government. However the Service has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Service might be impaired as a result of the need to reduce levels of service provision.

## **Note 2 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION**

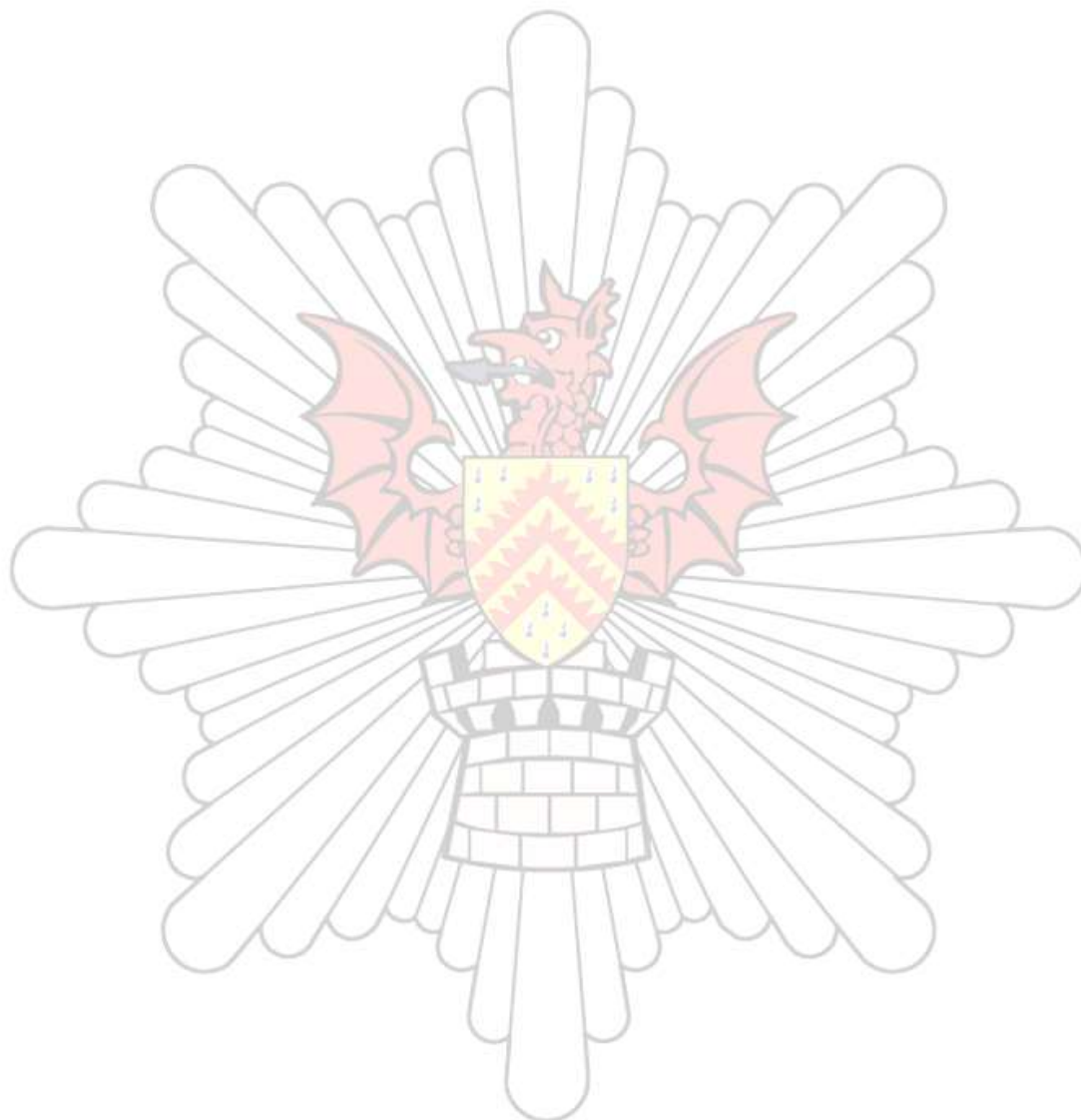
The Statement of Accounts contains estimated figures that are based on assumptions made by the Service about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Service's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Pension Liabilities (note 34)	Assumptions have been made in the accounts as to the value of future pension costs and income, i.e. liabilities and assets. This is to provide an understanding as to the potential liabilities faced by the Service.	Changes to pension assumptions will affect the value of assets and liabilities and will impact on the main financial statements, i.e. MiRS, CIES, Balance Sheet and Cash Flow.
Property, Plant and Equipment (note 9)	The Service revalues its assets every 5 years. The last revaluation was undertaken in 2019/20. Valuations are based on assumptions about asset conditions, useful lives, residual values and market conditions. Since the valuation date there has been a significant uplift in Building Cost Information Service (BCIS) construction data, therefore, as at 31 March 2024 a desktop revaluation exercise of all land and buildings was completed by the Service's Valuers.	A fluctuation in property values would impact on the values held in the Balance Sheet and on the corresponding depreciation charge.

### **Note 3 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATION**

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Service in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Service to meet future capital and revenue expenditure.



## Adjustments between accounting basis and funding basis under regulations

2022/23						2023/24				
General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movements in Unusable reserves £000			General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000	
					<b>Adjustments primarily involving the Capital Adjustment Account:</b>					
					<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
-5,564	0	0	5,564	Charges for depreciation and impairment of non-current assets		-8,262	0	0	8,262	
				Revaluation losses on Property Plant and Equipment						
1,425	0	0	-1,425	Capital grants and contributions applied		645	0	0	-645	
-312	312	0	0	PFI transactions to earmarked reserves		-465	465	0	0	
				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		0	0	0	0	
0	0	0	0			0	0	0	0	
-4,451	312	0	4,139			-8,082	465	0	7,617	
					<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
3,630	0	0	-3,630	<b>Statutory provision for the financing of Capital Investment</b>		3,923	0	0	-3,923	
200	0	0	-200	Capital expenditure charged against the General Fund		387	0	0	-387	
					<b>Adjustments primarily involving the capital receipts reserve:</b>					
-13	0	-24	37	Transfer of cash sale proceeds credited as part of the gain/loss on disposal		82	0	-98	16	
0	0	24	-24	Contribution from the Capital Receipts Reserve to finance new capital expenditure		0	0	98	-98	
3,817	0	0	-3,817			4,392	0	0	-4,392	
					<b>Adjustments primarily involving the Pensions Reserve:</b>					
-33,226	0	0	33,226	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement		-22,250	0	0	22,250	
11,767	0	0	-11,767	Employer's pension contributions and direct payments to pensioners payable in the year		12,670	0	0	-12,670	
-21,459	0	0	21,459			-9,580	0	0	9,580	
					<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
				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 (note 22)						
332	0	0	-332			221	0	0	-221	
-21,761	312	0	21,449	<b>Total Adjustments:</b>		-13,049	465	0	12,584	



## Note 4 – EXPENDITURE AND FUNDING ANALYSIS (EFA)

2022/23				2023/24		
Net Expenditure Chargeable to General Fund £000	Adjustments between the funding & Accounting Basis £000	Net Expenditure in the CIES £000		Net Expenditure Chargeable to General Fund £000	Adjustments between the funding & Accounting Basis £000	Net Expenditure in the CIES £000
79,199	-4,591	74,608	Fire Fighting Services	89,161	-17,881	71,280
<b>79,199</b>	<b>-4,591</b>	<b>74,608</b>	Net Cost of Services	<b>89,161</b>	<b>-17,881</b>	<b>71,280</b>
-79,304	26,352	-52,952	Other Income and Expenditure	-89,375	30,930	-58,445
<b>-105</b>	<b>21,761</b>	<b>21,656</b>	(Surplus) / Deficit (Note 4 and Note 5)	<b>-214</b>	<b>13,049</b>	<b>12,835</b>
-3,000			Opening General Fund Balance	-3,000		
-105			+/- (Surplus) / Deficit on General Fund	-214		
<b>105</b>			Transfers to / (from) earmarked reserves	<b>214</b>		
<b>-3,000</b>			<b>Closing General Fund Balance at 31 March</b>	<b>-3,000</b>		

				2023/24
Adjustments from General Fund to arrive at the CIES Amounts	Adj's for Capital Purposes £000	Net change for the Pensions Adj's £000	Other Differences £000	Total £000
Fire Fighting Services	4,389	-21,660	-610	-17,881
<b>Net Cost of Services</b>	<b>4,389</b>	<b>-21,660</b>	<b>-610</b>	<b>-17,881</b>
Other income and expenditure from the Expenditure and Funding Analysis	-82	31,240	-228	30,930
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services</b>	<b>4,307</b>	<b>9,580</b>	<b>-838</b>	<b>13,049</b>
				2022/23
Adjustments from General Fund to arrive at the CIES Amounts	Adj's for Capital Purposes £000	Net change for the Pensions Adj's £000	Other Differences £000	Total £000
Fire Fighting Services	2,152	-4,581	-2,162	-4,591
<b>Net Cost of Services</b>	<b>2,152</b>	<b>-4,581</b>	<b>-2,162</b>	<b>-4,591</b>
Other income and expenditure from the Expenditure and Funding Analysis	13	26,040	299	26,352
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services</b>	<b>2,165</b>	<b>21,459</b>	<b>-1,863</b>	<b>21,761</b>

## Note 5 - EXPENDITURE AND INCOME ANALYSED BY NATURE

The Service's Income & Expenditure (I&E) is analysed as follows:

	2022/23 £000	2023/24 £000
<b>Expenditure</b>		
Salaries, NI & Superannuation	65,537	69,059
Pensions (ill health)	982	1,211
Travel & Subsistence	464	355
<b>Total Employee Costs</b>	<b>66,983</b>	<b>70,625</b>
Premises Related Expenses	5,642	6,378
Training Expenses	1,668	1,617
Supplies & Services	6,247	6,492
Transport Related Expenses	1,601	1,558
Contracted Services	1,159	1,799
Capital Costs / leases	4,556	4,968
Gross Expenditure	87,856	93,437
Income	-8,657	-4,276
<b>(Surplus) / Deficit for the year</b>	<b>79,199</b>	<b>89,161</b>

### Reconciliation of I&E to the Provision of Services in the CIES

#### Amounts in the CIES not reported in the I&E

Accumulated absences	-332	-221
IAS 19 adjustments	21,459	9,580
PFI operating costs	1,420	1,604
Financing adjustment re: PFI /Leases	482	450
Depreciation (Inc impairments)	5,564	8,262
Capital grant	-1,425	-645
Non-current asset disposal	13	-82
Contributions from constituent authorities	-79,304	-89,375
PFI Grant	-965	-926

#### Amounts included in I&E not in the CIES

CERA	-200	-387
MRP (excluding PFI & Leases)	-3,211	-3,486
Contribution to PFI	-1,044	-1,100

<b>(Surplus) / Deficit on the Provision of Services</b>	<b>21,656</b>	<b>12,835</b>
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## Note 6 - OTHER OPERATING EXPENDITURE AND INCOME

2022/23		2023/24
£000		£000
13	Net (Gain)/Loss on disposal of non-current assets	-82
<b>13</b>	<b>Total</b>	<b>-82</b>

## Note 7 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2022/23		2023/24
£000		£000
1,524	Interest payable and similar charges	1,443
26,040	Pensions interest cost and expected return on pensions assets	31,240
-260	Interest receivable and similar income	-558
<b>27,304</b>	<b>Total</b>	<b>32,125</b>

## Note 8 - TAXATION AND NON SPECIFIC GRANT INCOME

2022/23		2023/24
£000		£000
79,304	Local Authority Contributions (note 29)	89,375
1,425	Capital Grants & Contributions	832
965	Government Grants – PFI (note 33)	926
<b>81,694</b>	<b>Total</b>	<b>91,133</b>



## Note 9 - PLANT, PROPERTY, EQUIPMENT (PPE)

### Fixed Assets 2023/24

	Land & Buildings	Vehicles & Equipment	Training Centre / PFI	AUC	PPE Total
<u>Cost/Valuation</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Gross book value at 31 March 2023	71,663	42,502	6,911	156	121,232
Additions	2,525	3,514	0	0	6,039
Revaluation	-6,538	0	56	0	-6,482
Assets under construction	156			-156	0
Disposal of Assets	0	-1,855	0	0	-1,855
Gross book value at 31 March 2024	67,806	44,161	6,967	0	118,934
<u>Depreciation and Impairments</u>					
Accumulated depreciation at 31 March 2023	435	27,383	0	0	27,818
Annual depreciation	2,027	3,268	234	0	5,529
Revaluation	-2,462	0	-234	0	-2,696
Disposal of Assets	0	-1,816	0	0	-1,816
Accumulated depreciation as at 31 March 2024	0	28,835	0	0	28,835
Net book value at 31 March 2023	71,228	15,119	6,911	156	93,414
Net book value at 31 March 2024	67,806	15,326	6,967	0	90,099

Note: all properties with exception of PFI are freehold.

Assets under Construction relate to Electric Vehicle Chargers that were delivered prior to 31<sup>st</sup> March 2023 but were not installed. These have since been installed during 2023/24.

## **Fixed Assets 2022/23**

	<b>Land &amp; Buildings</b>	<b>Vehicles &amp; Equipment</b>	<b>Training Centre / PFI</b>	<b>AUC</b>	<b>PPE Total</b>
<b><u>Cost/Valuation</u></b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross book value at 31 March 2022	66,390	37,475	6,405	0	110,270
Additions	1,631	5,313	0	156	7,100
Revaluation	3,679	0	506	0	4,185
Disposal of Assets	-37	-286	0	0	-323
Gross book value at 31 March 2023	71,663	42,502	6,911	156	121,232
<b><u>Depreciation and Impairments</u></b>					
Accumulated depreciation at 31 March 2022	303	24,732	0	0	25,035
Annual depreciation	1,732	2,937	210	0	4,879
Revaluation	-	0	-210	0	-1,810
Disposal of Assets	1,600	0	0	0	-286
Accumulated depreciation as at 31 March 2023	435	27,383	0	0	27,818
Net book value at 31 March 2022	66,087	12,743	6,405	0	85,235
Net book value at 31 March 2023	71,228	15,119	6,911	156	93,414

Note: all properties with exception of PFI are freehold.

## Note 10 - FINANCIAL INSTRUMENTS

### 1. Financial Instruments Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments

	Long-Term		Current	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024
<b>Borrowing</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities (principal amount)	25,354	23,959	1,383	3,989
+ Accrued Interest (accrued interest is short term)	0	0	152	270
<b>Total borrowings</b>	<b>25,354</b>	<b>23,959</b>	<b>1,535</b>	<b>4,259</b>
<b>PFI liabilities</b>	<b>3,240</b>	<b>3,149</b>	<b>437</b>	<b>91</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	5,425	2,712
<b>Investments</b>				
Loans and receivables (principal amount)	0	0	0	0
+ Accrued interest	0	0	0	0
<b>Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Debtors</b>	<b>100</b>	<b>0</b>	<b>6,071</b>	<b>4,241</b>

**Note** – Under accounting requirements the carrying value of the financial instrument is shown in the balance sheet which includes the principal amount borrowed or invested. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

## 2. Financial instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

Financial Instruments Gains and Losses				
	2022/23		2023/24	
	Financial Liabilities Measured at amortised cost	Financial Assets Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets Loans and receivables
	£000s	£000s	£000s	£000s
Interest expense in Surplus or Deficit on the Provision of Services	1,524	0	1,443	0
Interest income in Surplus or Deficit on the Provision of Services	0	260	0	558
Net gain/(loss) for the year	1,524	260	1,443	558

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

Period/Term	Approved Minimum limits	Approved Maximum limits	Actual 31 March 23 £000's	Actual 31 March 24 £000's
Less than 1 year	0%	25%	1,383	3,989
Between 1 and 2 years	0%	30%	1,395	1,406
Between 2 and 5 years	0%	50%	4,525	5,307
Between 5 and 10 years	0%	70%	9,334	8,146
More than 10 years	0%	95%	10,100	9,100
<b>Total</b>			<b>26,737</b>	<b>27,948</b>

The debt portfolio comprises of PWLB Equal Installment of Principal (EIP) and Maturity loans. The loans outstanding at the balance sheet date is £27.9 million with an average debt rate equating to 3.94%.

### Note 11 - FAIR VALUE OF ASSETS & LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- ✓ For loans payable from the PWLB, the fair value can be included under debt redemption procedures;



- ✓ For loans receivable (of which there are none), the prevailing benchmark market rates would be 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Fair values pertaining to loans are as follows:

£000s	31 March 2023		31 March 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt	26,737	25,500	27,948	26,246
Non-PWLB debt	0	0	0	0
<b>Total debt</b>	<b>26,737</b>	<b>25,500</b>	<b>27,948</b>	<b>26,246</b>

The fair value is less than the carrying amount because the Service's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available in the market at the balance sheet date.

## Note 12 - SHORT TERM INVESTMENTS

In accordance with the treasury management strategy, there are no short term investments outstanding at the end of the year.

## Note 13 - DEBTORS

31 March 2023		31 March 2024	
£000		£000	
3,168	Central Government Bodies	1,420	
1,415	Other Local Authorities*	1,374	
63	NHS Bodies	99	
1,525	Other Entities and Individuals	3,195	
<b>6,171</b>	<b>Total</b>	<b>6,088</b>	

\* Includes long term Debtors of £100k for 22/23, all 23/24 Debtors are short term

## Note 14 - CASH & CASH EQUIVALENTS

31 March 2023		31 March 2024
£000		£000
2,163	Bank current accounts	416
<u>2,163</u>	<b>Total</b>	<u>416</u>

## Note 15 - CREDITORS

31 March 2023		31 March 2024
£000		£000
1,482	Central government bodies	1,291
333	Other local authorities	480
22	NHS Bodies	22
0	Public Corporations and Trading Funds	45
2,805	Other Entities and Individuals	2,159
783	Accumulated Absences (note 22)	562
<u>5,425</u>	<b>Total</b>	<u>4,559</u>

## Note 16 - PROVISIONS

31 March 2023		31 March 2024
£000		£000
38	Part time worker regulations	0
<u>38</u>	<b>Total</b>	<u>0</u>

### Note 17 - USABLE RESERVES

<b>Balance at 1 April 2022</b> <b>£000</b>	<b>Transfers Out</b> <b>2022/23</b> <b>£000</b>	<b>Transfers In</b> <b>2022/23</b> <b>£000</b>	<b>Balance at 31 March 2023</b> <b>£000</b>		<b>Transfers Out</b> <b>2023/24</b> <b>£000</b>	<b>Transfers In</b> <b>2023/24</b> <b>£000</b>	<b>Balance at 31 March 2024</b> <b>£000</b>
<b>10,255</b>	-7,437	276	<b>3,094</b>	Change Management Reserve	-526	870	<b>3,438</b>
<b>300</b>	-100	0	<b>200</b>	Joint Control Lease Reserve	-100	0	<b>100</b>
<b>3,504</b>	-312	0	<b>3,192</b>	PFI Equalisation Reserve	-465	0	<b>2,727</b>
<b>115</b>	-71	97	<b>141</b>	Managed Under Spend Reserve	-97	0	<b>44</b>
<b>0</b>	0	340	<b>340</b>	Cultural Review Reserve	-441	101	<b>0</b>
<b>0</b>	0	3,000	<b>3,000</b>	Carbon Reduction Reserve	0	0	<b>3,000</b>
<b>0</b>	0	2,000	<b>2,000</b>	Equality, Diversity and Inclusion Reserve	0	0	<b>2,000</b>
<b>0</b>	0	2,000	<b>2,000</b>	Equipment Renewals Reserve	-18	0	<b>1,982</b>
<b>0</b>	0	0	<b>0</b>	Firelink CMA	0	425	<b>425</b>
<b>0</b>	-24	24	<b>0</b>	Capital Receipts	-98	98	<b>0</b>
<b>3,000</b>	-105	105	<b>3,000</b>	General Fund	-214	214	<b>3,000</b>
<b>17,174</b>	<b>-8,049</b>	<b>7,842</b>	<b>16,967</b>	<b>Total Usable Reserves</b>	<b>-1,959</b>	<b>1,708</b>	<b>16,716</b>

Movement in earmarked reserves have occurred during the year, as follows;

- The revenue underspend and annual lease costs for the Joint Public Service Centre have been transferred to the change management reserve. In addition, any projects completed during 2024/25, have been transferred from the managed underspend reserve along with identified equipment replacement costs from the equipment renewals reserve. Balances have been transferred from the culture review reserve for strategies identified. Transfers to newly established reserves are to support the strategies outlined in each area.
- The balance remaining on the Joint Public Service Centre lease which is payable over 8 years, commencing from 2017/18, is shown as a separate reserve.
- The PFI equalisation reserve exists to ensure the necessary funds are available to accommodate future payments to the PFI provider.
- £97k has been transferred to the change management reserve from the managed under spend reserve for projects completed in 2023/24.
- The cultural review reserve was established to accommodate costs set out as part of the Independent Cultural Review process across the service and has been transferred to the change management reserve for 2023/24 charges.
- The carbon reduction reserve is to achieve aims set out in the Carbon Delivery Plan 2020-2030.
- The equality, diversity and inclusion reserve is to support the framework to promote in-house equality, diversity and good practice.
- The equipment renewals reserves is to level out variances in the required annual provisions for replacement, with costs incurred in 2023/24 transferred to the change management reserve.
- Firelink Competition and Markets Authority (CMA) has been established due to a national issue with Airwave charges in the final quarter of the year and potential repayment.
- Capital receipts are ring fenced to fund capital investment with £98k received during the year and used against capital expenditure.

### General Fund

In addition to the earmarked reserves above, the General Fund Balance is sustained at a minimum level deemed adequate to provide a level of operational resilience in respect of major incidents/catastrophes.

### Note 18 - UNUSABLE RESERVES

31 March 2023		31 March 2024
£000		£000
-24,142	Revaluation Reserve (note 19)	-21,042
-26,650	Capital Adjustment Account (note 20)	-24,595
683,932	Pensions Reserve (note 21)	706,520
783	Accumulated Absence Reserve (note 22)	562
<b>633,923</b>	<b>Total Unusable Reserves</b>	<b>661,445</b>



## Note 19 - REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Service arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Re-valued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed and gains are realised.

2022/23		2023/24
£000		£000
-18,492	<b>Balance at 1 April</b>	<b>-24,142</b>
-5,995	Revaluation Adjustment	-600
0	Impairment adjustment	3,172
345	Difference in fair value and historical cost depreciation	528
<b>-24,142</b>	<b>Balance at 31 March</b>	<b>-21,042</b>

## Note 20 - 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. The account is debited with the cost of acquisition, construction or enhancement and depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the revaluation reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Service to finance the cost of acquisition, construction and enhancement.

The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2010, the date that the Revaluation Reserve was created to hold such gains.

<b>2022/23</b>	<b>Capital Adjustment Account</b>	<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<b>-26,627</b>	<b>Balance as at 1 April</b>	<b>-26,650</b>
-3,630	MRP (note 30)	-3,923
4,617	Depreciation (net of revaluation)	5,058
0	Revaluation	1,213
602	Non-enhancing Expenditure	821
-200	Capital expenditure financed from revenue resources (CERA) (note 30)	-387
-1,425	Capital Grants (note 30)	-645
37	Net non-current asset disposal	16
-24	Assets funded by Capital Receipts	-98
<b>-26,650</b>		<b>-24,595</b>

### **Note 21 - PENSIONS RESERVE**

The Pensions Reserve absorbs the timing differences arising from the arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Service accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement. The benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require any benefits earned to be financed as the Service makes employer contributions to pension funds or, eventually pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Service has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
<b>987,073</b>	<b>Balance at 1 April</b>	<b>683,932</b>
-324,600	Remeasurements of the net defined benefit liability (asset)	13,008
33,226	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	22,250
-11,767	Employer's pensions contributions and direct payments to pensioners payable in the year	-12,670
<b>683,932</b>	<b>Balance at 31 March</b>	<b>706,520</b>

## Note 22 - 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.

2022/23		2023/24
£000		£000
<b>-1,115</b>	<b>Balance at 1 April</b>	<b>-783</b>
1,115	Settlement or cancellation of accrual made at the end of the preceding year	783
783	Amounts accrued at the end of the current year (note 15)	562
332	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the remuneration chargeable in the year in accordance with statutory requirements. (note 3)	221
<b>-783</b>	<b>Balance at 31 March</b>	<b>-562</b>

## Note 23 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

2022/23 £000		2023/24 £000
<b>21,656</b>	<b>Net Deficit on the Provision of Services</b>	<b>12,835</b>
	<b>Adjustments to Net Deficit for Non Cash Movements;</b>	
111	Increases/(Decrease) in stock	6
1,233	Increase/(Decrease) in debtors	-1,936
-389	(Increase)/Decrease in creditors	1,894
-5,564	Depreciation charge (inc impairment)	-8,262
-13	Gain on asset disposal	82
-21,459	IAS 19 adjustments	-9,580
332	Other non cash-items charged to the net deficit on the provision of services	221
<b>-25,749</b>	<b>Less Total</b>	<b>-17,575</b>
	<b>Adjustments for items included in the net deficit on the Provision of Services that are Investing and Financing Activities;</b>	
-1,524	Interest Payable	-1,443
260	Interest Receivable	558
1,425	Capital Grants	645
<b>161</b>	<b>Less Total</b>	<b>-240</b>
<b>-3,932</b>	<b>Net Cash Flow from Operating Activity</b>	<b>-4,980</b>



## Note 24 - CASH FLOW – INVESTING AND FINANCING ACTIVITIES

2022/23		2023/24
£000		£000
7,274	Purchase of property, plant and equipment, investment property and intangible assets	7,473
-24	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-98
-1,458	Capital Grants received	-603
<b>5,792</b>	<b>Net cash (in)/outflow from investing activities</b>	<b>6,772</b>
0	Cash Receipts from short & long term borrowing	-2,500
-227	Other receipts from financing activities	-595
419	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	437
1,409	Repayments of short and long-term borrowing	1,288
1,534	Other payments for financing activities	1,325
<b>3,135</b>	<b>Net cash (in)/outflow from financing activities</b>	<b>-45</b>

## Note 25 - MEMBERS' AND COMMISSIONERS' ALLOWANCES

During 2023/24, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following members' expenses were paid as a reimbursement of costs in pursuance of duties.

Following the implementation of "The South Wales Fire and Rescue Authority (Exercise of Functions)(Wales) Directions 2024" on the 6th February 2024, the Fire and Rescue Authority ceased to perform its duties. These duties were then fulfilled by the 4 Welsh Government appointed Commissioners, the following annual rates were payable;

2022/23		2023/24
£000		£000
74	Members Total Allowances	78
2	Members Total Expenses	1
0	Commissioners Total Allowances	51
0	Commissioners Total Expenses	1
<b>76</b>	<b>Total</b>	<b>131</b>

## Note 26 - OFFICERS' REMUNERATION

The remuneration paid to the Service's senior employees is as follows:

Title	Year	Salary £000	Benefits in Kind £000	Total Excl Pension £000	Employers Pension £000	Gross remuneration £000
Chief Fire Officer Huw Jakeaway	2023/24	176	0	176	48	224
	2022/23	145	0	145	39	184
Interim Chief Fire Officer	2023/24	24	0	24	4	28
	2022/23	0	0	0	0	0
Deputy Chief Officer**	2023/24	2	0	2	0	2
	2022/23	33	0	33	2	35
Asst Chief Fire Officer Service Delivery (A) / DCFO	2023/24	141	0	141	37	178
	2022/23	114	0	114	30	144
Asst Chief Fire Officer Technical Services (A)	2023/24	67	0	67	16	83
	2022/23	97	0	97	27	124
Asst Chief Fire Officer Technical Services (B)	2023/24	128	0	128	26	154
	2022/23	39	0	39	9	48
Asst Chief Officer Corporate Services	2023/24	109	0	109	17	126
	2022/23	90	0	90	14	104
Asst Chief Officer People Services*	2023/24	109	4	113	17	130
	2022/23	90	5	95	14	109
Treasurer	2023/24	36	0	36	6	42
	2022/23	29	0	29	4	33
Asst Chief Fire Officer Industrial Action	2023/24	15	0	15	3	18
	2022/23	92	0	92	19	111
Asst Chief Fire Officer Technical Services (C)	2023/24	7	0	7	2	9
	2022/23	0	0	0	0	0
Asst Chief Fire Officer Service Delivery (B)	2023/24	8	0	8	2	10
	2022/23	0	0	0	0	0

\* Benefits in kind relate to an allowance for a vehicle on the service lease car scheme and

\*\* Backdated pay award pay – no in year salary for 23/24

### Summary of movement

Role	Covered by	For the period	Due to
CFO	Interim CFO on a Secondment basis	12/02/2024 – Present	Permanent post holder on pre-retirement leave
DCFO	Post Vacant	14/03/2024 - Present	Permanent post holder on pre-retirement leave
Treasurer	Post Vacant	25/03/2024 - Present	Post holder retired 25/03/24, recruitment ongoing
ACFO Technical Services(A)	ACFO Technical Services (B)	16/01/2023 – 07/03/2024	Temporary promotion due to post holder's ill health retirement
ACFO Technical Services(B)	ACFO Technical Services (C)	12/03/2024 - Present	Temporary post holder on pre-retirement leave
ACFO Service Delivery (A)	ACFO Service Delivery (B)	08/03/2024 - Present	Permanent post holder on pre-retirement leave
ACFO Industrial Action	N/A	Post ended 30/04/2023	Temporary post

Service employees receiving more than £60,000 remuneration for the year were paid in the following amounts:

Salary Bracket	Number 2022/23	Number 2023/24
£60,000 to £64,999	13	46
£65,000 to £69,999	11	22
£70,000 to £74,999	2	11
£75,000 to £79,999	0	9
£80,000 to £84,999	1	3
£85,000 to £89,999	1	0
£90,000 to £94,999	2	1
£95,000 to £99,999	2	1
£100,000 to £104,999	0	2
£105,000 to £109,999	1	0
£110,000 to £114,999	0	2
£115,000 to £119,999	1	0
£120,000 to £124,999	0	0
£125,000 to £129,999	0	0
£130,000 to £134,999	0	0
£135,000 to £139,999	0	1
£140,000 to £144,999	0	0
£145,000 to £149,999	1	1
£150,000 to £154,999	0	0
£155,000 to £159,999	0	0
£160,000 to £164,999	0	0
£165,000 to £169,999	0	0
£170,000 to £174,999	0	0
£175,000 to £179,999	0	0
£180,000 to £184,999	0	1

Remuneration includes all sums paid to/receivable by an employee, expense allowances chargeable to tax and the money value of benefits. The above data includes arrears of pay but does not include employer's pension contributions. Individuals reported in the above salary brackets are also included in the senior officers' remuneration table above.

The median remuneration across the Service for 2023/24 is £34k and the ratio of the CFO remuneration to the median remuneration is 5.15:1.

The median remuneration across the Service for 2022/23 is £33k and the ratio of the CFO remuneration to the median remuneration is 4.46:1.

The median remuneration is based on FTE salary and does not include taxable expense allowances. This allows the calculation to tie back to a specific salary grade.

2022/23		Exit packages			2023/24			
Exit Package cost band	Number of compulsory Redundancies	Number of Other Departures agreed	Total number of Exit Packages in each Cost band	Total cost of packages in each Cost Band £000	Number of compulsory Redundancies	Number of Other Departures agreed	Total number of Exit Packages in each Cost band	Total cost of packages in each Cost Band £000
£0 - £20,000	0	1	1	20	0	2	2	14
£20,001 - £40,000	0	1	1	28	0	0	0	0
<b>Total</b>	0	2	2	48	0	2	2	14

Redundancy and other departure costs have been paid in accordance with The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.  
Exit costs are accounted for in full in the year of departure. Ill Health retirement costs are met by SWFRS revenue.

## Note 27 - EXTERNAL AUDIT COSTS

2022/2023 £000		2023/2024 £000
84	Current year fees paid / due to the Auditor General for Wales	94
<b>84</b>	<b>Total</b>	<b>94</b>



## Note 28 - GRANTS

Gains relating to grants and donated assets are recognised in the CIES. Income is credited at the point when the Service has met all stipulations, conditions and restrictions agreed with the entity providing the gain. (Grants from Welsh Government are marked WG).

2022/23	Revenue	2023/24
£000		£000
606	Community Risk Reduction (WG)	650
1,353	New Dimensions and USAR Funding (WG)	1,247
265	MTA (WG)	92
122	Other*	150
632	Fire Link (WG)	0
31	Anti-Social Behaviour	39
22	Natural Resources Wales	44
4	Circular Economy (WG)	5
2,947	SCAPE (WG)	0
350	FF Apprentices	368
3	AFAN Project	0
21	NFCC	56
1	Cardiff & Vale UHB	0
2	Wales & West Utilities	0
13	Hafod	10
0	North Wales FRS	2
<b>6,372</b>		<b>2,663</b>
2022/23	Capital	2023/24
£000		£000
990	NR – USAR Property Build (WG)	27
102	DIM Electric Vehicles (WG)	0
165	DIM Detection Equipment (WG)	350
0	NR – Vehicle (WG)	42
156	Energy Efficiency (WG)	113
12	Low Carbon Heat Development (WG)	0
0	USAR Solar Panels (WG)	24
0	USAR Vehicles (WG)	55
0	MTA Training Manikins (WG)	29
0	HMRU Equipment (WG)	5
<b>1,425</b>		<b>645</b>

\* Other grants (external funding) comprises funding for small, non-recurring project.

## Note 29 - RELATED PARTIES

South Wales Fire and Rescue Service is required to disclose material transactions with related parties (bodies) or individuals that have the potential to control or influence the Service or to be controlled or influenced by the Service. Disclosure of these transactions allows readers to assess the extent to which the Service might have been constrained in its ability to bargain freely.

### RELATED PARTY TRANSACTIONS

South Wales Fire and Rescue Service has a number of links with constituent authorities, and this is reflected in the income detailed below which represents the 'Fire Levy' payable to the Service to finance annual running costs each.

Each ex-member of the Fire and Rescue Authority is also a member of one of the constituent local government authorities.

During the year transactions with related parties arose as shown below.

	In Year Transactions		Balances Outstanding at 31 <sup>st</sup> March, 2024	
	Income	Expenditure	Owed to Service (Debtor)	Owed by Service (Creditor)
	£000	£000	£000	£000
Blaenau Gwent CBC	3,953	3	0	0
Bridgend CBC	8,523	1	0	0
Caerphilly CBC	10,381	3	0	0
Cardiff CC	21,199	34	0	0
Merthyr Tydfil CBC	3,476	0	0	0
Monmouthshire CC	5,472	6	0	0
Newport CBC	9,242	0	0	0
Rhondda Cynon Taf CBC	13,942	197	0	5
Torfaen CBC	5,409	6	0	0
The Vale of Glamorgan CBC	7,778	3	0	0
	<b>89,375</b>	<b>253</b>	<b>0</b>	<b>5</b>

Payments include the costs for supplies and services. Also included are associated costs of unfunded pensions, fire pension reforms and payroll charges. National Non Domestic Rates (NNDR) and salary deductions have been excluded from the above.

Prior members, Commissioners and senior officers of the Service were asked to declare any third party transactions during the year. The declarations disclosed a variety of potential related parties, with the following table being the only relationships where payments have been made.

			In Year Transactions		Balances Outstanding at 31 <sup>st</sup> March, 2024	
Related Party Organisation	Nature of relationship	No. of transactions	Income £	Expenditure £	Owed to Service (Debtor) £	Owed by Service (Creditor) £
WAST (Welsh Ambulance Service Trust)	Parent	16	696	134,664	696	15,978
Cardiff & Vale Health Board	Self	3	21,647	0	0	0
Welsh Council for Deaf People	Self	1	180	0	0	0

Welsh Government is regarded as a related party due to its control of relevant legislation and funding. Significant financial transactions with Welsh Government relate to a top up grant for funding Fire Fighters' pensions (see Firefighter's Pension Fund Account see Note 34) and grants (see Note 28).

This note has been compiled in accordance with the current interpretation and understanding of IAS 24 as applicable to the public sector.

### Joint Operations

In April 2014 South Wales Fire and Rescue Service (SWFRS) entered into a Memorandum of Understanding with South Wales Police and Mid and West Wales Fire and Rescue Service (MAWWFRS) to work together to establish a Joint Public Service Centre (JPSC). In October 2017 the JPSC went "live". SWFRS and MAWWFRS have joint control of the operation and the agreed approach is set out in a Service Level Agreement (SLA). The SLA outlines a set of agreed high-level principles in relation to the day-to-day management of the team. It is the expectation of both Chief Fire Officers that the FRSs will work in collaboration to achieve the aims and objectives set out within the SLA.

The SLA provided that as from the point of the team becoming operational (October 2017) the staff budget (direct and indirect costs) for the JPSC would be shared on a 50% basis. For 2018/19 onwards the SLA was renegotiated resulting in a revised basis – direct staff costs 60% SWFRS and 40% MAWWFRS, and 50% each for indirect staff costs.

The Service's share of the Joint Arrangement Income and Expenditure Account and Balance Sheet are shown in the table below.

Joint Public Service Centre from Oct 2017	2022/23		2023/24	
	Joint Operation Total	SWFRS Share	Joint Operation Total	SWFRS Share
<b>Revenue</b>				
Staff Expenditure	2,690	1,614	2,783	1,670
Non-Staff Expenditure	128	64	196	98
<b>Total Expenditure</b>	<b>2,818</b>	<b>1,678</b>	<b>2,979</b>	<b>1,768</b>
<b>Intangible Asset - Command &amp; Control System</b>				
Gross Book Value	308	154	1054	527
Accumulated Amortisation	(308)	(154)	(456)	(228)
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>598</b>	<b>299</b>

The Service also has a short-term debtor of £100k with South Wales Police in relation to the Joint Public Service Centre.

### Note 30 - CAPITAL EXPENDITURE AND CAPITAL FINANCING

2022/23		2023/24
£000		£000
<b>40,226</b>	<i>Opening Capital Financing Requirement (CFR)</i>	<b>42,804</b>
7,857	Property, Plant and Equipment investment	6,836
<b>7,857</b>	<b>Total Additions</b>	<b>6,836</b>
	<i>Sources of finance</i>	
-1,425	Government grants and other contributions (note 28)	-645
0	Sums set aside from revenue (note 20)	0
-200	Direct revenue contributions (note 20)	-387
-24	Capital Receipts	-98
-3,630	MRP/loans fund principal (note 20)	-3,923
<b>42,804</b>	<b>Closing Capital Financing Requirement (CFR)</b>	<b>44,587</b>
	<i>Increase in underlying need to borrow</i>	
<b>2,578</b>	<b>Increase/(Decrease) in CFR</b>	<b>1,783</b>

Capital expenditure is incurred on schemes which have a life beyond one year, and is largely financed by a mix of borrowing and revenue contributions. When available Capital Grants, Co-location contributions and capital receipts can and will be used.



## Note 31 - FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

2022/23		2023/24
£000		£000
200	Revenue contribution (note 30)	387
1,425	Grant funding (note 28)	645
6,208	Internal Borrowing	5,706
24	Capital Receipts	98
<b>7,857</b>	<b>Total</b>	<b>6,836</b>

## Note 32 - CAPITAL COMMITMENTS

The Service is committed to capital expenditure in future periods arising from contracts entered into at the balance sheet date. Capital expenditure committed at the 31 March 2024 for future periods equates to £6.127m (2022/23: £5.083m). The commitments relate to property refurbishments, and the vehicle and ICT Equipment programmes.

## Note 33 - PFI.

During 2005/06 financial year, the Service entered into a Private Finance Initiative (PFI) arrangement for the provision of a training centre at Cardiff Gate. The arrangement will run until September 2030. There is a commitment of £15.8m (Net Present Value) over the duration of the contract, which is to be funded by a combination of PFI Credits, agreed by the Welsh Government and Fire and Rescue Service resources.

The Service meets the costs of the Unitary Charge from its own resources and receives an annual grant from the Welsh Government. The profile of funding from the Assembly reduces annually until the expiry of the contract term whereas the unitary charge payable by the Service increases annually over the same period. This results in a "surplus" of resources for PFI when compared to payments for the initial period of the contract period. These surplus amounts are set-aside in an earmarked reserve to fund the later part of the contract period where annual payments are greater than annual resources.

As at 31 March 2024, the balance on the PFI equalisation earmarked reserve is £2.727 million. The total unitary payment is divided into the service charge element, the repayment of the liability element and the interest element and these payments will be made over the life of the PFI contract. Annual funding from the Welsh Government has been and will be receivable for the life of the contract. The PFI Finance Lease Liability will be written down over the life of the PFI contract.

The below table details the aforementioned movement;

PFI Element				Payable 2 - 5 years £'000	Payable 6 - 10 years £'000
		2022/23 £'000	2023/24	2024/25	
Unitary Charge					
	Service Charge	1,420	1,604	2,053	6,302
	Interest	482	450	197	1,546
	Finance Lease	419	437	91	2,082
		2,321	2,491	2,341	9,930
Grant Funding		-965	-926	-886	-3,154
Fire Service Contribution		-1,044	-1,100	-1,133	-4,884
Net contribution to equalisation		312	465	322	1,892
Equalisation Account					
	O/balance	-3,504	-3,192	-2,727	-2,405
		312	465	322	1,892
	C/balance	-3,192	-2,727	-2,405	-513
Liability @ 31 March					
	Short Term	437	91	320	695
	Long Term	3,240	3,149	2,829	373
		3,677	3,240	3,149	1,068

Figures disclosed for 2-5 years and 6-10 are liabilities owing at that point (i.e. at the end of year 5 and the year of year 10).

### Note 34 - PENSIONS (IAS 19)

#### (i) Local Government Services and Control Staff

In 2023/24 the Service paid employer pension contributions of £1.62 million to 'the fund' which provides members with defined benefits related to pay and service. Under current pension regulations, contribution rates are set to meet 100% of the overall liabilities of 'the Fund'.

Pension contributions to be paid into the scheme for the financial year 2024/25 are estimated to be £1.724 million for the employer.

The LGPS is a funded defined benefit plan (but also includes certain unfunded pensions) 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 Earning scheme (CARE).

The unfunded pension arrangements (Compensatory Added Years) relate to termination benefits made on a discretionary basis upon early retirement.

Further information on the RCT Pension Fund can be found in the Pensions Fund Annual Report and Accounts which is available on request from the Pensions Section, Rhondda Cynon Taf C.B.C. Bronwydd House, Porth, Rhondda, CF39 9DL or on the website [rctpensions.org.uk](http://rctpensions.org.uk).

#### (ii) Fire Fighters

The Fire Fighters' pension scheme is an unfunded scheme with defined benefits. In 2023/24 the Service paid employer pension contributions of £9.8 million. Pensions paid from revenues equated to £1.211 million. For 2024/25, the employer contribution to the scheme is estimated to be £11.542 million and the current estimate for pensions paid from revenue is £963k. The majority of pension payments to retired Fire Fighters are paid from a separate Pension Fund account administered by the Service, details of the

Fund and how it operates is provided by the Fire Fighters' Pension Fund Account and related disclosures.

On 1 April 2015 the 2015 pension scheme was introduced in addition to the original 1992 FPS and the (new) 2006 NFPS. The 2015 scheme introduced new contributions rates for both employers and employees and resultant pensioner benefits in an attempt to improve affordability. Members of the 1992 and 2006 schemes who did not meet the prescribed criteria, transitioned into the 2015 scheme under a tapering arrangement. The three schemes are combined in the following tables.

On 1<sup>st</sup> April 2016 the retained Modified Pension Scheme was introduced. The scheme allowed individuals who were employed as Retained members of staff between the years 2000 – 2006 the opportunity to buy back service. If the individuals were still employees then they could enter into the Retained Modified Pension Scheme which benefits from the same contribution rates as the 1992 scheme.

On 1 April 2022, following a court ruling, legacy schemes including the 1992, 2006 and Modified Pension Schemes were closed for future accruals, and all active members were transitioned into the 2015 Pension Scheme.

### **Transactions Relating to Post-employment Benefits**

In accordance with the requirements of International Accounting Standard No 19 – Retirement Benefits (IAS19) the Service has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in 'Accounting Policies', the Service participates in two schemes, the Fire Fighters' Pension Scheme for full time Fire Fighters which is unfunded, and the Local Government Pensions Scheme (RCT Pension Fund) for other employees which is administered by Rhondda Cynon Taf County Borough Council. In addition, the Service has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

To comply with IAS19 the Service appoints actuaries on an annual basis to assess the assets and liabilities of both schemes. Aon Hewitt was appointed to assess the Local Government Pension Scheme and the Government Actuary's Department the Fire Fighters' scheme as they relate to past and current employees of South Wales Fire and Rescue Service. For the Local Government Pension scheme the actuary assessed that the net asset to the Service as at 31 March 2024 was £10.8 million (*31 March 2023, £2.7 million net liability*) and for the Fire Fighters' schemes the liability was £707 million as at 31 March 2024 (*31 March 2023, £687 million*). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found overleaf.

The Government has recently published a further consultation and equalisation of Guaranteed Minimum Pensions (GMP), with the proposal being to extend the 'interim solution' to those members who reach State Pension Age after 5 April 2021. A past service cost was included for 2021/22 for extending the equalisation to all future retirees.

There was also a further court ruling on 20 November 2020 regarding GMP equalisation. The court ruled that scheme trustees are required to revisit past Cash Equivalent Transfer Values (CETVs) to ensure GMP equalisation. This may result in additional top-ups where GMP equalisation means that members did not receive their full entitlement.



For public service pension schemes, it is expected that this ruling will be taken forward on a cross scheme basis and will need legal input. This may require revisiting past CETV cases for members with State Pension age after 5 April 2016 and who took a CETV from the scheme before CETVs were equalised. The scope of any costs are yet to be determined but it is expected to be a relatively small uplift for a relatively small subset of members.

Following a Court of Appeal hearing, the McCloud judgment concluded that the transitional protections of the Firefighters' Pension Scheme introduced in 2015 were discriminatory based on age. Remedy Legislation to deal with the impact on scheme members came into force on the 1<sup>st</sup> October 2023, with further regulations due to correct other associated matters such as taxation and interest. In July 2021 the Service commenced payment of Immediate Detriment benefits for those active members that had given their retirement notice and these options ceased with the introduction of the new legislation on 1<sup>st</sup> October 2023. Remediable Service Statements must now be provided to all members, including those that have already retired, by March 2025, to ensure that those affected will see any detriment rectified. The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. The pension fund actuaries have based the estimate on the major provisions of the remedy.

The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. The pension fund actuaries have based the estimate on the major provisions of the remedy.

In June 2023, the High Court found in the Virgin Media case that changes to member benefits in contracted out defined benefit pension schemes between 1996 and 2016 required an actuarial certificate in line with section 37 of the Pension Schemes Act 1993 and that changes without this certification are to be considered void. This requirement applies to past service rights and future service rights, and to changes to the detriment or benefit of scheme members. The judgement was appealed in June 2024 but the appeal was dismissed.

For both the Local Government and Firefighters Pension Scheme, GAD do not believe that there are any absent actuarial confirmations. Therefore, they do not expect any liability changes to arise following this judgement. GAD will confirm that actuarial confirmations are available in due course.



2022/23 £000	Movements on Pension Reserve	2023/24 £000
	<b>Income and Expenditure Account</b>	
	<b>Net Cost of Service</b>	
	Current Service Cost	
-18,210	- Fire Fighters	-5,300
-4,290	- Local Government Pension Scheme	-2,010
	Past Service Cost	
0	- Fire Fighters	60
0	- * Local Government Pension Scheme	-10
15,320	Top Up Grant	16,250
	<b>Net Operating Expenditure</b>	
	Interest Cost	
-25,410	- Fire Fighters	-31,410
-3,040	- Local Government Pension Scheme	-3,690
	Expected Return on Pension Assets	
0	- Fire Fighters	0
2,404	- Local Government Pension Scheme	3,860
<b>-33,226</b>	<b>Total Post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>-22,250</b>
	Remeasurements of the net defined benefit liability (asset)	
294,200	- Fire Fighters	-10,540
30,400	- * Local Government Pension Scheme	8,300
<b>291,374</b>	<b>Total Post-employment benefit (charged)/credited to the C.I.E.S</b>	<b>-24,490</b>
	<b>Movement on Reserve Statement</b>	
987,073	Opening Balance 1 April	683,932
-291,374	Reversal of Net Charges for IAS 19	24,490
	Actual Amount Charged against the General Fund	
	Balance for pensions in the year	
	Employer Contributions	
-9,607	Fire Fighters	-10,288
-1,510	Local Government Pension Scheme	-1,660
-650	Retirement benefits paid to Fire Fighters	-742
0	Transfers in	0
0	Asset Ceiling Restriction Adjustment	10,788
<b>-303,141</b>	<b>Movement on Pension Reserve</b>	<b>22,588</b>
<b>683,932</b>	<b>Closing Balance</b>	<b>706,520</b>

\*The LGPS movements on pension reserve are inclusive of unfunded pension benefits arrangements;  
2023/24 – Interest cost of £20k, actuarial loss of £20k and net benefits paid out £40k.

## Pension Schemes – Assets / Liabilities

The Service's estimated share of assets and liabilities from 31 March 2020 to 31 March 2024 were as follows:

	31 March				
	2020	2021	2022	2023	2024
Estimated share of liabilities in the Fire Fighters' Pension Scheme	-885,690	-990,340	-962,740	-686,590	-706,520
Estimated share of liabilities in the Rhondda Cynon Taff Pension Fund	-91,164	-117,564	-113,865	-79,995	-79,795
<b>Total liabilities</b>	<b>-976,854</b>	<b>-1,107,904</b>	<b>-1,076,605</b>	<b>-766,585</b>	<b>-786,315</b>
Share of assets in the Rhondda Cynon Taff Pension Fund	65,230	86,411	89,532	82,653	90,583
Asset ceiling restriction adjustment	0	0	0	0	-10,788
<b>Net Pension Deficit</b>	<b>-911,624</b>	<b>-1,021,493</b>	<b>-987,073</b>	<b>-683,932</b>	<b>-706,520</b>

	2020	2021	2022	2023	2024
Fire Fighters' Pension Scheme	-885,690	-990,340	-962,740	-686,590	-706,520
Rhondda Cynon Taff Pension Fund	-25,934	-31,153	-24,333	2,658	0
<b>Net Pension Deficit</b>	<b>-911,624</b>	<b>-1,021,493</b>	<b>-987,073</b>	<b>-683,932</b>	<b>-706,520</b>

The asset is restricted by an asset ceiling to nil.

Liabilities have been valued on an actuarial basis using the projected unit method which assesses the future liabilities of the fund discounted to their present value. The Fire Fighters' Scheme has been valued by the Government Actuary's Department and the LGPS Fund liabilities have been valued by Aon Hewitt, an independent firm of actuaries. The main assumptions used in the calculations are as follows:

### Basis for estimating assets and liabilities

	Fire Fighters' Scheme		LGPS Fund	
	2023	2024	2023	2024
Rate of Inflation;	%	%	%	%
CPI	2.6	2.6	2.7	2.6
Rate of increase in Salaries	3.85	3.85	3.95	3.85
Rate of Increase in Pensions	2.6	2.6	2.7	2.6
Rate of Discounting Scheme Liabilities	4.65	4.75	4.7	4.8
Future Life Expectancy at 65 Men				
Current Pensioners	21.2	21.3	21.6	21.0

Future Pensioners Women	22.9	22.9	22.6	22.3
Current Pensioners	21.2	21.3	24.2	23.8
Future Pensioners	22.9	22.9	25.7	25.2

### Sensitivity analysis

The scheme actuary of the LGPS scheme has estimated the approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation. In each case, only the assumption mentioned is altered, all other assumptions above remain the same.

#### Discount rate assumption

<b>Adjustment to discount rate</b>	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of total obligation (£m)	77.98	80.76
% change in present value of total obligation	-1.7%	1.8%
Projected service cost (£m)	1.83	1.99
Approximate % change in projected service cost	-4.0%	4.1%

#### Rate of general increase in salaries

<b>Adjustment to salary increase rate</b>	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of total obligation (£m)	79.49	79.17
% change in present value of total obligation	0.2%	-0.2%
Projected service cost (£m)	1.91	1.91
Approximate % change in projected service cost	0.0%	0.0%

#### Rate of increase to pensions and rate of revaluation of pension accounts

<b>Adjustment to discount rate</b>	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of total obligation (£m)	80.52	78.14
% change in present value of total obligation	1.5%	-1.5%
Projected service cost (£m)	1.99	1.83
Approximate % change in projected service cost	4.1%	-4.0%

#### Post retirement mortality assumption

<b>Adjustment to discount rate</b>	<b>-1 year</b>	<b>+1 year</b>
Present value of total obligation (£m)	81.39	77.35
% change in present value of total obligation	2.6%	-2.5%
Projected service cost (£m)	1.98	1.84
Approximate % change in projected service cost	3.5%	-3.5%

The scheme actuary of the Fire Fighters' Pension scheme has estimated the approximate impact of changing the key assumptions on the present value of the defined benefit obligation.

<b>Impact on defined benefit obligation</b>	<b>%</b>	<b>£ million</b>
Rate of discounting scheme liabilities +0.5%p.a.	-7.5%	-52
Long term rate of increase in salaries +0.5% p.a.	1.5%	10
Rate of increase in pensions / deferred revaluation +0.5% p.a.	7.0%	49
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	2.5%	17

## Assets

The Fire Fighters' Pension scheme is an unfunded scheme and as such holds no assets to generate income to meet the schemes liabilities. Funding for the payments made from the scheme is met from employer's and employees' contributions in the year and an annual grant from the Welsh Government.

The Local Government scheme is a funded scheme and as such has built up assets over the years to generate income to meet future liabilities. Assets in the RCT Pension Fund are valued at fair value, principally bid value for investments, and consist of:

<b>Plan Asset Split</b>	<b>%</b>
<b>2024</b>	
Equity Investments	64.0
Bonds	27.8
Property	6.5
Cash	0.4
Other Assets	1.3
<b>Total</b>	<b>100.0</b>
<b>2023</b>	
Equity Investments	68.1
Bonds	22.9
Property	7.8
Cash	0.7
Other Assets	0.5
<b>Total</b>	<b>100.0</b>

The overall return on pension assets was 11.2% for 2023/24 (2022/23: -6.2%). The movement in the pension deficit for the year can be analysed as followed based on the present value of the scheme liabilities.

<b>2022/23 £000 Fire Fighters</b>	<b>2022/23 £000 LGPS</b>	<b>Liabilities</b>	<b>2023/24 £000 Fire Fighters</b>	<b>2023/24 £000 LGPS</b>
<b>-962,740</b>	<b>-113,865</b>	<b>Balance as at 1 April</b>	<b>-686,590</b>	<b>-79,995</b>
-18,210	-4,290	Current Service cost	-5,300	-2,010
-25,410	-3,040	Interest	-31,410	-3,690
-4,520	-640	Contributions by scheme members	-4,610	-680
294,200	39,240	Actuarial Gains and Losses	-10,540	3,000
30,390	2,600	Benefits Paid	32,130	3,590
0	0	Past Service Cost	60	-10
-300	0	Transfers in	-260	0
<b>-686,590</b>	<b>-79,995</b>	<b>Pension Liabilities at Year End</b>	<b>-706,520</b>	<b>-79,795</b>



## Changes to the fair value of assets during the accounting period

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>	<b>Assets</b>	<b>£000</b>
<b>LGPS</b>		<b>LGPS</b>
<b>89,532</b>	<b>Balance 1 April</b>	<b>82,653</b>
2,404	Return on Pension Assets	3,860
-8,833	Actuarial Gain/Losses on Assets	5,320
1,510	Contributions by employer	1,660
640	Contributions by Scheme members	680
-2,600	Net benefits paid out*	-3,590
<b>82,653</b>	<b>Pension Assets at Year End</b>	<b>90,583</b>

\* 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. Excluding £40k unfunded pension payments.

### Actual return on assets

	<b>31 March 2023</b>	<b>31 March 2024</b>
	<b>£ Million</b>	<b>£ Million</b>
Interest income on assets	2.41	3.86
Re-measurement gain/ (loss) on assets	-8.84	5.32
Actual return on assets	-6.43	9.18

## Note 35 - CONTINGENT LIABILITIES

In recent years the Service has faced challenge with regards cases related to 'Rule B5C' of the Fire Pension Scheme and USAR allowances. More recently we have had confirmation that several individuals have taken their cases to the Pensions Ombudsman on the Rule B5C changes. The findings of the Ombudsman are still being finalised. It is not known at this point whether there will be any financial implications for the Service or the Pension Scheme.

The Service has been challenged on whether USAR payments should fall under the provisions of the Firefighters' Pension Scheme. Advice has indicated that they do not, but the Service is considering whether alternative pension provision should be made. No work has yet been completed to quantify potential costs of such provision.

The courts have ruled in the O'Brien case that a decision to limit the period in which part-time workers could retrospectively purchase past pensionable service was incorrect and no such limit should be applied. The UK Government have recognised the right for

retained firefighters employed before 01 July 2000 to elect to become a special member from the start of their employment. This has necessitated a second options exercise for those affected. This exercise commenced on the 1<sup>st</sup> February 2024, in Wales, with an 18 month implementation period. The precise financial consequences are unknown but the estimated liabilities arising from this judgement have been included in the most recent Government Actuary Valuation of the Pension Fund.

Following a Court of Appeal hearing, the McCloud judgment concluded that the transitional protections of the Firefighters' Pension Scheme introduced in 2015 were discriminatory based on age. Remedy Legislation to deal with the impact on scheme members came into force on the 1<sup>st</sup> October 2023, with further regulations due to correct other associated matters such as taxation and interest. In July 2021 the Service commenced payment of Immediate Detriment benefits for those active members that had given their retirement notice and these options ceased with the introduction of the new legislation on 1<sup>st</sup> October 2023. Remediable Service Statements must now be provided to all members, including those that have already retired, by March 2025, to ensure that those affected will see any detriment rectified. The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. The pension fund actuaries have based the estimate on the major provisions of the remedy.

The Independent Culture Review published in January 2024 highlighted that the Service's disciplinary and grievance processes may have been inadequate. It is not clear currently whether any historical cases represent a risk in terms of legal action or financial liability.

The Firelink project is a Home Office initiative introduced to ensure a nationwide digital radio service transmissions between fire and rescue services and to and from radio systems used by the police and ambulance services. This was initially funded by the Home Office but funding ceased in 2023/24. During 2023/24, the Home Office recalculated the payments due in 2023/24 and found that the service had been overcharged. This led to a saving during the year but an appeal against these savings has been launched by Motorola. If successful this could lead to the repayment of these savings in the future. A useable reserve has been created to fund this.

### **Note 36 – CONTINGENT ASSETS**

In 2010, the European Commission launched an investigation into price fixing and other cartel activities between 1991 and 2001. This led to fines totalling £2.9 billion being issued to a number of European truck manufacturers in July 2016. Those that have acknowledged guilt include DAF, Daimler, Iveco, MAN and Volvo/Renault. Scania maintain their innocence however their final appeal was dismissed by the Court of Justice in 2024. The activities include the following:

- Fixed gross and sometimes net list prices at Senior HQ management level.
- Aligned gross list prices in Europe including the UK at the start of the cartel.
- Reduced rebates when the Euro was introduced.
- Delayed the introduction of fuel efficient Euro 3, 4, 5 and 6 technologies.
- Agreed the cost that operators should pay for Euro technologies.

The vehicles involved are trucks of 6 tonnes or more, purchased, financed or leased between 1997 and 2011. Legal action is ongoing to reclaim the damages for the overcharge from the purchase of trucks and truck dependent services during the cartel and run off periods.

During 2023/24 the Defendants claimed that any overcharge was not suffered by the fire service, but by the local authorities that funded them. These local authorities will now look to create direct claims and pass the funding to South Wales Fire and Rescue Service. No specific value or percentage has been discussed.

Current payments under the Litigation Funding Agreement (VAT payable only) for 2023/24 totalled £1041.

### **Note 37 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Service's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Service
- Liquidity risk – the possibility that the Service might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Service as a result of changes in such measures as interest rates and stock market movement

The Service has adopted the CIPFA Code of Practice on Treasury Management which ensures the Service has measures in place to manage the above risks. At the beginning of the financial year Members are presented with a report outlining the Treasury Management Strategy to be followed for the year and setting out the Prudential Indicators (PI's) for the year. Half way through the year a report detailing progress against strategy and if necessary a revision of the PI's. At year end the final report sets out how the Service has performed during the year. How the Service manages risks arising from financial instruments are detailed in the treasury reports presented to Members and can be accessed from [www.southwales-fire.gov.uk](http://www.southwales-fire.gov.uk).

The highest credit risk is for the investments and these are managed through the Treasury Management Strategy as detailed above. The current strategy states the Service will only invests short term, up to a maximum of 12 months, with institutions that are on the Service's counterparty list. On a daily basis the Service is updated with any changes to the credit status of institutions on the counterparty list and if any institutions are downgraded and fail to meet the criteria set out in the Treasury Management Strategy then they are removed from the list. If an institute failed to repay an investment then the financial loss to the Service could be in excess of £1m. However, due to careful management of the portfolio no institutions have failed to repay monies due.

The Service has ready access to borrowing from the Public Works Loan Board and there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Service will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates.



The maturity analysis of financial liabilities is provided in note 10 (2) Financial Instruments.

**Interest rate risk** - The Service is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Service, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- 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, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Service has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Service's prudential and treasury indicators and its expected treasury activities, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

**Price risk** - The Service, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

**Foreign exchange risk** - The Service has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## **FIRE FIGHTERS' PENSION FUND ACCOUNT (FFPF)**

**2022/2023**

**2023/2024**



£000	Income to the fund	£000
	Contributions receivable:	
	From employer	
-9,274	Normal contributions	-9,800
-332	Other contributions	-489
-4,424	From members	-4,673
-98	Past service contributions (retained modified scheme)	-49
<b>-14,128</b>		<b>-15,011</b>
-298	Transfers in from other pension funds	-255
<b>-14,426</b>	<b>Total Income to the Fund</b>	<b>-15,266</b>
	<b>Spending by the Fund</b>	
	Benefits Payable:	
23,420	Pension payments	25,974
6,190	Pension commutations and lump-sum retirement benefits	4,295
110	Other Payments	117
<b>29,720</b>		<b>30,386</b>
	Payments to and on account of leavers:	
0	Transfers out to other authorities	1,110
<b>29,720</b>	<b>Total Spending by the Fund</b>	<b>31,496</b>
<b>15,294</b>	Net amount payable for the year	<b>16,230</b>
-15,294	Annual top up grant receivable from Welsh Government	-
<b>0</b>	Net amount payable for the year	<b>0</b>

## NOTES TO THE FIRE FIGHTERS' PENSION FUND ACCOUNT

The Fund was established 1 April 2007 and covers the 1992, 2006, 2015 and Retained Modified Fire Fighters' Pension Schemes and is administered by the Service.

Following a recent age discrimination court case, 1<sup>st</sup> April 2022 saw the closure of the

2022/2023 £000	Net Asset Statement	2023/2024 £000
	Current Assets;	
1,791	Top up grant due from Welsh Government	856
<b>1,791</b>		<b>856</b>
	Current Liabilities;	
-23	Commutations due to pensioners	0
-1,768	Amount owed to general fund	-856
<b>0</b>		<b>0</b>

active 1992, 2006 and Retained Modified Fire Fighters' Pension Schemes and all active members (current employees) transferred into the 2015 pension scheme.

Employee and employer (the Service) contributions are paid into the Fund from the revenue budget and payments to pensioners are made from here. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government (WG) and are subject to quadrennial revaluations by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with

no investment assets and any difference between benefits payable and contributions receivable is met by the top up grant receivable from the Welsh Government (WG).

Transfers into the scheme are a transfer of pension benefits from another pension scheme for new or existing employees and transfers out are transfer benefits for employees who have left the Service and joined another pension scheme.

At the beginning of the financial year an assessment is made of the amount of Top Up grant required from WG and 80% of the estimate is paid in addition to the surplus/deficit (asset/liability) payable/receivable from the previous year. As such, any asset/liability on the Pension Fund is matched by a corresponding value on the Service balance sheet. The 2023/24 estimate includes an assessment of the number of Fire Fighters retiring within the year and as a result, an estimate of pension payments is calculated. In 2023/24 a total of 46 (including 9 deferred members) Fire Fighters retired compared to the estimate of 48. At the year end WG was a debtor to the Pension Fund with a value of £856k.

The Fire Fighters' Pension Fund Account does not take account of liabilities for pensions and other benefits after the period. Details of the long term pension obligations can be found in note 21 and 34 to the core financial statements.

The accounting policies adopted for the production of the Pensions Fund Account are in line with recommended practice and follow those that apply to the Service's primary statements.

### **Contribution Rates**

Under the Fire Fighters' Pension Regulations the employer contribution rates for the 2015 Scheme was 27.3%. Employee rates are determined by a tiered system according to salary bands with higher earners contributing at a higher rate relative to their salary, i.e. rates start at 8.5% and end at 17% for the current period.