

# **SOUTH WALES FIRE AND RESCUE AUTHORITY**



## **STATEMENT OF ACCOUNTS**

**2021/2022**

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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 (the Authority) and consider the overall financial position of the Authority in the current economic context.

The Authority's 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 Authority for the financial year.

The Authority's accounts for 2021/2022 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's governance framework including the system of internal control and risk management systems, so as 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 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's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the 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 in order 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 or not they provide a true and fair view of the financial performance and position of the Authority. 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 (the Authority) is 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 is made up of 24 elected members drawn from those authorities representative to the number of registered electors.

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 2021/22, the proportions were as follows:

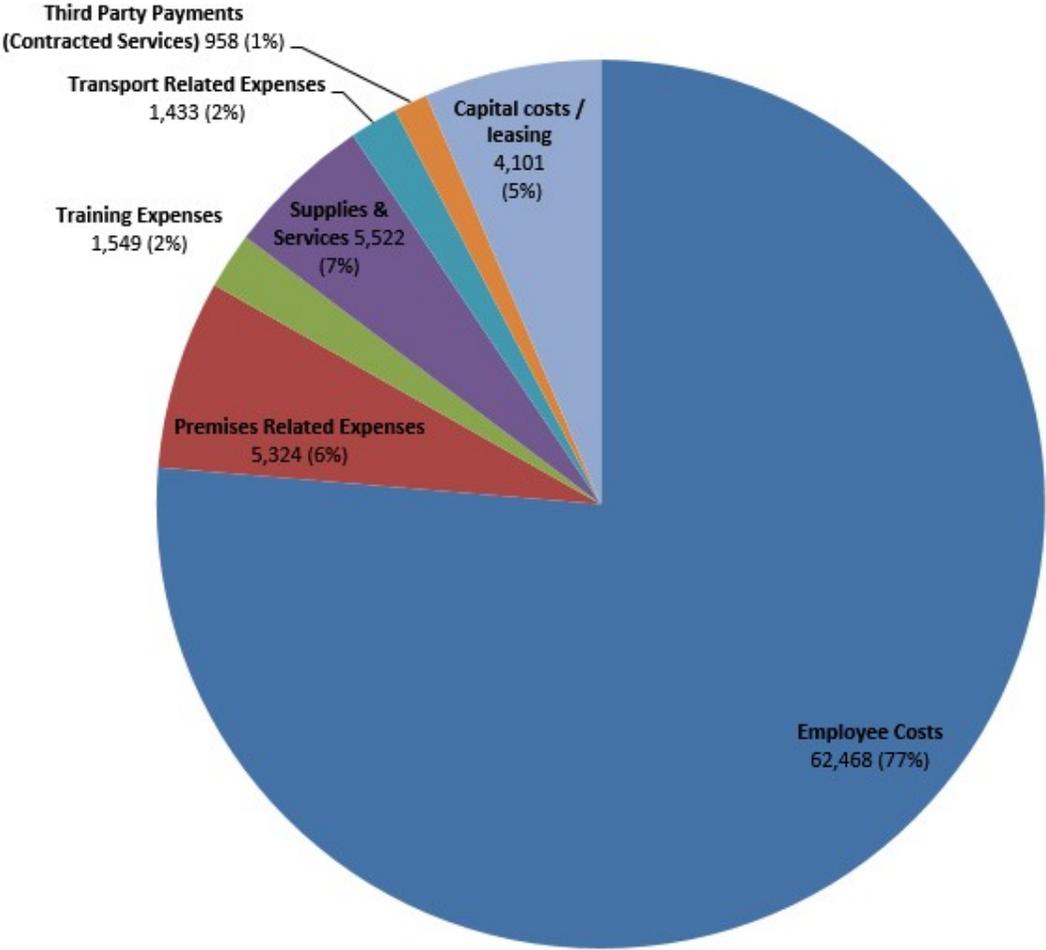
	<b>Values £000</b>	<b>%</b>
Blaenau Gwent County Borough Council	3,482	4
Bridgend County Borough Council	7,364	9
Caerphilly County Borough Council	9,099	12
Cardiff County Council	18,374	24
Merthyr Tydfil County Borough Council	3,040	4
Monmouthshire County Council	4,760	6
Newport County Borough Council	7,855	10
Rhondda Cynon Taff County Borough Council	12,117	16
Torfaen County Borough Council	4,696	6
The Vale of Glamorgan Council	6,743	9
<b>Total</b> (note 29)	<b>77,530</b>	<b>100</b>

### Financial Performance in 2021/22

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)	81,612	81,355	(257)
Income (note 5)	(4,082)	(7,652)	(3,570)
Net Expenditure (note 5)	77,530	73,703	(3,827)
Unitary Authority (note 29)	77,530	77,530	0
(Surplus) /Deficit	0	(3,827)	(3,827)
<b>Capital (inc slippage)</b>			
Capital Spending (note 30)	8,323	2,443	(5,880)

**Expenditure by type 2021/22**



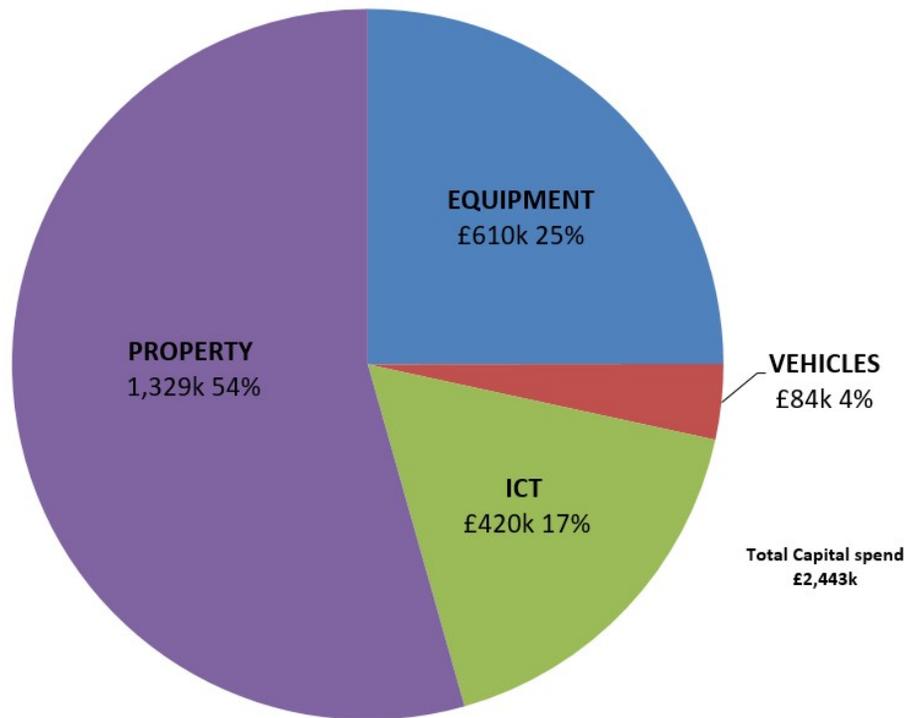
**Analysis of Revenue Expenditure for 2021/22 (£000's)**

- Employee Costs
- Premises Related Expenses
- Training Expenses
- Supplies & Services
- Transport Related Expenses
- Third Party Payments (Contracted Services)
- Capital costs / leasing

Total Gross Expenditure for 2021/22:	<b>81,355</b>
Income received for 2021/22:	<b>(7,652)</b>
Total Net Expenditure for 2021/22:	<b>73,703</b>

Capital expenditure in the year amounted to £2.4 million

**Analysis of Capital Expenditure**  
**for 2021/22**  
(£000's)



### **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 comprise those provided by the Public Works Loans Board (PWLB) and Salix Finance Ltd. In accordance with its Treasury Management Strategy the Authority 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 £4.4 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 2021/22**

In 2021/22 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](#)

## **Future Financial Plans**

Looking longer term further funding pressures are anticipated. The 2022/23 revenue budget approved by the Fire and Rescue Authority in February gave an average increase of 2.29% taking the annual budget to £79.3 million. This is a challenging settlement considering the upward trend in inflation within the economy and the Authority has made a commitment to utilise under spends from 2021/22 to the benefit of constituent authorities for 2022/23.

The medium term financial strategy assumes further funding pressures making the challenge of producing a balanced budget increasingly difficult when faced with inflationary pressures and the investment required to maintain operational effectiveness.

The capital programme continues to invest in our asset portfolio, in particular refurbishment of stations, vehicle replacement. Investment also continues in large operational equipment, PPE and ICT, ensuring our personnel have the best equipment available.

## **Pension liability**

In 2021/22, there were 38 whole-time duty system (WDS) and 7 retained staff retirements and 5 deferrals.

Under International Accounting Standard (IAS) 19 (Employee Benefits) the Authority 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).

## **Provisions, Contingencies and Write offs**

The provision remains for the outstanding payments to on-call fire fighters as a result of the part time workers' conditions settlement.

## **Reserve Accounting**

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2022/23. 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**

Again, the continuing impact of the Covid-19 pandemic and the threat of new variants has required a flexible approach to home and office working for corporate staff in a bid to support the front line provision. Supply chain challenges as a result of the pandemic have eased although continued to a degree for some contracts due to other factors in the worldwide economy.

Regular supply chain impact analysis have continued due to the war in Ukraine although there hasn't been a detrimental affect on service provision for 2021/22. Potential future impacts of the war are shortages of raw materials across a number of sectors i.e. industrial, consumer goods, life sciences, labour, IT and logistics. The Service provided support to national charities, i.e. Fire Aid and IFRA, 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 to name a few.

## **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 all Finance staff and their colleagues throughout the Authority, who have worked on the preparation of these statements. I also wish to thank the Chief Fire Officer and Corporate Directors for their assistance and co-operation throughout this process.

A handwritten signature in black ink, appearing to read 'C. Barton', written in a cursive style.

**Chris Barton**  
**Treasurer**

**Dated:25/07/2022**

## STATEMENT OF RESPONSIBILITIES

### The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the 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 Authority's 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 2021/22 ("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 & FIRE & RESCUE AUTHORITY CHAIR

I certify that the accounts provide a true and fair view of the financial position of the Authority as at the 31 March 2022 and its income and expenditure for the year then ended.

Signature:



Treasurer

Date: 25/07/2022

I confirm that these accounts were approved by the Fire Authority;

Signature:



Finance, Audit & Performance Management  
Chair – South Wales Fire & Rescue Authority

Date: 25/07/ 2022

## **ANNUAL GOVERNANCE STATEMENT YEAR ENDING MARCH 2022**

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.

### **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.

This statement explains how SWFRA has complied with the Governance Framework.

### **2. The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and culture and values, by which SWFRA is directed and controlled, and its activities through which it accounts to, engages with and leads the community. This enables SWFRA 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 SWFRA’s 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 complied with at SWFRA for the year ending 31 March 2022 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 SWFRA's 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.

Membership is 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 is organised into committees and a scrutiny group which are appointed at the annual meeting. Each committee and the scrutiny group has a comprehensive set of terms of reference. Working groups are established on an ad-hoc basis as and when required.

The Executive Leadership Team (ELT), comprising the Chief Fire Officer, Corporate Directors and Treasurer, is responsible for strategic leadership, political interface and corporate challenge. The Senior Management Team (SMT) includes the same officers and Heads of Service, both uniformed and corporate, and provide organisational leadership, functional challenge and service delivery.

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

Constitutional Documents – SWFRA has a suite of constitutional documents that can be found on its [website](#). These include General Standing Orders, Procedural Standing Orders, Contract Standing Orders, Scheme of Delegations and Financial Regulations. These documents are periodically reviewed by the Monitoring Officer and Treasurer, and any identified changes needed are carried out under delegated authority or are reported to SWFRA for their approval.

In order to provide a practical method of operational and financial management throughout the organisation, officers have been given certain powers by SWFRA 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 SWFRA for their approval. These powers form an integral part of the Governance arrangements and were last reviewed in March 2019.

The current Medium Term Financial Strategy (MTFS) covers the period to 2021/22–2026/27 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 21 September 2021 and at the September Finance

Audit and Performance Management (FAPM) Committee and can be read on page 33 on this [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.

[Strategic Plan](#) – The year three 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 in order to continue to deliver high quality services that meet the needs of our communities.

SWFRA's performance against the Strategic Plan and Statutory indicators is reported regularly to SWFRA and FAPM Committee together with an overall report that is reported annually to SWFRA and on our website through the document [Annual Improvement Plan How did we do in 2020-21 and what we plan to do 2022-23](#).

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 now 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. 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 the 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. Strategic Risks are reported to the SWFRA's FAPM Committee.

The FAPM Committee considers the effectiveness of the SWFRA's risk management arrangements and the work of the Internal and External Auditors. In 2021/2022, the FAPM Scrutiny Group also considered departmental risks on 07 February 2022.

There are established arrangements for effective financial controls through SWFRA's accounting procedures, key financial systems and the Financial Regulations. These include established budget planning procedures and regular reporting to Authority Members and comparing actual revenue and capital expenditure to annual budgets. SWFRA's Treasury Management arrangements follow professional practice and are subject to annual review by Members. Key financial controls are reviewed annually as part of the annual internal audit plan. Additionally, the adoption of the CIPFA code 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 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.

SWFRA 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, TIAA Limited, who work to the Public Sector Internal Audit Standards which are applicable to all Internal Audit providers in Wales. The Annual Internal Audit Plan is agreed by the FAPM Committee which receives regular reports on the audits undertaken together with TIAA's annual report.

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) Measure 2004, The Local Government (Wales) Measure 2009, the Local Government Act 1999 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.

The Auditor General and Audit Wales present their Audit Plan to Members 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 SWFRA and published in accordance with the Localism Act 2011. This was reviewed at the HR & Equalities meeting on 24 January 2022 and can be read on page 7 of this [link](#) and approved by approved by SWFRA at the 14 February 2022 meeting.

Members' allowances are paid in accordance with the Independent Remuneration Panel recommendations and are published in accordance with their requirements.

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 2021, within 12 months. Accordingly, SWFRA published this information within the deadline. SWFRS 2021 Gender Pay Gap Report can be accessed [here](#).

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

Related party returns are completed and signed by SWFRA Members and senior officers 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. Review of Effectiveness**

SWFRA 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. The work of peer assessors is also considered.

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 Service Senior Management Team.
- Periodic review of the constitutional documents and ethical governance arrangements by the Monitoring Officer and Treasurer, which were last reviewed in March 2019.
- The FAPM Committee regularly scrutinises 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 Members through the SWFRA and FAPM Committee.
- SWFRA receives annual reports from each of its committees and 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.
- The appointed internal auditor TIAA Limited provides SWFRA, through its FAPM Committee, with 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:

#### **Head of Internal Audit Opinion**

***"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 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 the South Wales Fire and Rescue Service from its various sources of assurance."***

This can be viewed on page 91 of the Finance, Audit & Performance Management Committee papers presented at the 11 April 2022 meeting on this [link](#).

The Auditor General also provides assurance to SWFRA, through their Notice of Certification of Completion of the Audit. This was reported to the 20 September FAPM Committee and can be found on page 119 of this [link](#). In the South Wales Fire and Rescue Authority 2020/2021 Notice of Certification of Completion of the Audit dated 03 August 2021 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 2021 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 Audit of Accounts Report – South Wales Fire and Rescue Authority issued July 2021, was reported to the 26 July FAPM Committee and can be found on page 149 of this [link](#), stated that:

***"In my opinion the financial statements:***

- ***give a true and fair view of the financial position of South Wales Fire and Rescue Authority as at 31 March 2021 and of its income and expenditure for the year then ended; and***
- ***have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21."***

Additionally in the Audit Summary which was reported to the March Fire Authority

meeting and can be seen on page 41 of this [link](#) stating:

**For 2020-21:**

- ***the Auditor General gave an unqualified true and fair opinion on the Authority's financial statements on 28 July 2021, three days ahead of the statutory deadline.***
- ***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.***
- ***the quality of the draft statements presented for audit on 1 June 2021 was good.***
- ***a small number of changes were made to the Authority's financial statements arising from our audit work, which were reported to the Audit Committee in our Audit of Financial Statements Report in July 2021.***
- ***the Auditor General issued the certificate confirming that the audit of accounts for 2020- 21 has been completed.***

## **5. How We Met Significant Governance Issues and Challenges for 2021/2022**

The Service maintained its response to the Covid-19 Pandemic with the continuation of the Critical Incident (CIT) regime to access and respond to the latest UK and Welsh Government advice ensuring that we maintained operations and supported in Covid compliant environments.

The Service also continued its support to partner agencies responding to calls for support as and when required. Recovery activities continued and developed as we moved through the progression of the pandemic. The Service worked closely with partners to provide assistance during the pandemic. Close working arrangements were maintained to support the Welsh Ambulance Service Trust (WAST) with volunteers across the Service providing driving support. The Service responded to numerous requests for support from partner agencies with the introduction of "Vaccine taxis" to transport the vulnerable within our communities to vaccination appointments. Vaccine centres were also provided with administrative support additionally a number of staff members qualified to become vaccinators.

The Strategic Covid-19 Risk and associated control tasks continued to be monitored and the response tailored to emerging situations. The actions taken ensured that we continued to mitigate the effects of the pandemic on the Service and its work in our wider communities. Service transitioned from responding to Covid to operating in a Covid Environment. The practice of ELT providing regular Covid briefings to members continued. The Service continued to submit Covid expenditure and savings reports to Welsh Government on a regular basis to draw down eligible funding to support expenditure.

The continuing Covid-19 pandemic had no impact on the committee governance arrangements in 2021/2022. Using the powers contained within the Coronavirus Act 2020, the process to allow our Members to continue to run Authority meetings remotely was maintained in 2021/2022. Meetings of the Authority were held virtually

using video conferencing software and were recorded for publication on the Service website and can be viewed via this [link](#).

The Local Authorities (Coronavirus) (Meetings) (Wales) Regulations 2020 made emergency provision for Fire and Rescue Authorities (FRAs) to meet remotely during the Covid-19 pandemic. It became clear that remote working is a viable, cost-effective and sustainable way of operating, which has been made permanently open to public bodies regardless of the pandemic. The Local Government and Elections (Wales) Act 2021 made permanent the ability for the Fire and Rescue Authority (FRA) to maintain remote attendance at FRA meetings and the requirement for certain meeting documents to be published electronically. The Service confirmed that it was able to continue to operate all of the governance functions remotely.

The CIT managed the Service's response to continuing developments of the pandemic to ensure compliance with Welsh Government measures and restrictions. The CIT frequency was adjusted throughout the year, meeting more frequently when alert levels were increasing, to ensure that the Service matched pace with the pandemic to enable evaluation all the information being forwarded by the UK and Welsh Governments and associated Public Health Organisations, putting in place provisions to safely serve the communities of South Wales and support partner organisations. The Service has also developed and maintained a critical timeline of decision-making documenting and recording the changing government regulations and guidance the subsequent decisions made within service to secure an accurate record of activity and enable structured long term learning. This will also provide a significant evidence base to support the forthcoming public enquiry.

The Service has three distinct groups of employees: Operational staff (firefighters), Joint Fire Control staff and corporate staff, all of whom are identified as key workers. In order to continue to deliver services to the communities we serve the Service maintained robust risk assessments implementing actions to allow staff to socially distance, maintain good hygiene and work safely both within operational incidents and in the general workplace. Robust and effective processes to allow office-based staff to work from home were also implemented.

Operational response continued to operate as normal. To ensure communities had sufficient fire cover the Service continued to deliver risk critical training at the Cardiff Gate Training Centre throughout the pandemic. The Service also continued to maintain the required recruitment profiles with the successful recruitment and training for Wholetime and On Call Firefighters to join the Service. The Service again procured the required PPE (based on NFCC guidance) to ensure firefighters attending operational incidents were protected. The maintenance of remote working allowed staff in certain roles to work from home. Staff were supported to do so whilst ensuring that all teams were represented effectively in the workplace.

Activities such as working with young people, visiting schools, carrying out Safe and Well visits and Fire Safety Audits were maintained using safer and innovative ways of delivering those services. We continued to ensure those most at risk were as safe as possible, whilst also introducing innovative ways to deliver our interventions. This work will continue in 2022/2023.

The Service's reviewed business continuity processes, which are now more robust and integrated Business Continuity plans which continued to be exercised on a long-term basis. A specific Strategic Covid-19 Risk was maintained and associated control tasks continued to be implemented. The actions taken again ensured that the effects of the pandemic were mitigated wherever possible.

The significant investment made at all Service locations to enable remote working and facilitate improved engagement with stations and partners by the use of video conferencing equipment continued to prove effective. This substantial investment partially supported with Welsh Government funding continues to deliver improvements and development of the Service.

The Service delivered the significant investment of new Structural Firefighting Kit on an All-Wales basis, this was developed in close consultation with Operational Firefighters. Robust contract management and close supplier liaison enabled the Service to minimise disruption in the supply chain.

The Welsh Language (Wales) Measure 2011 replaced the Welsh Language Act 1993, and as part of the new legislation, in Wales the Welsh language has equal legal status with English and must not be treated less favourably. Public bodies no longer need to develop and implement Welsh Language Schemes but instead must now comply with a set of national Welsh Language Standards.

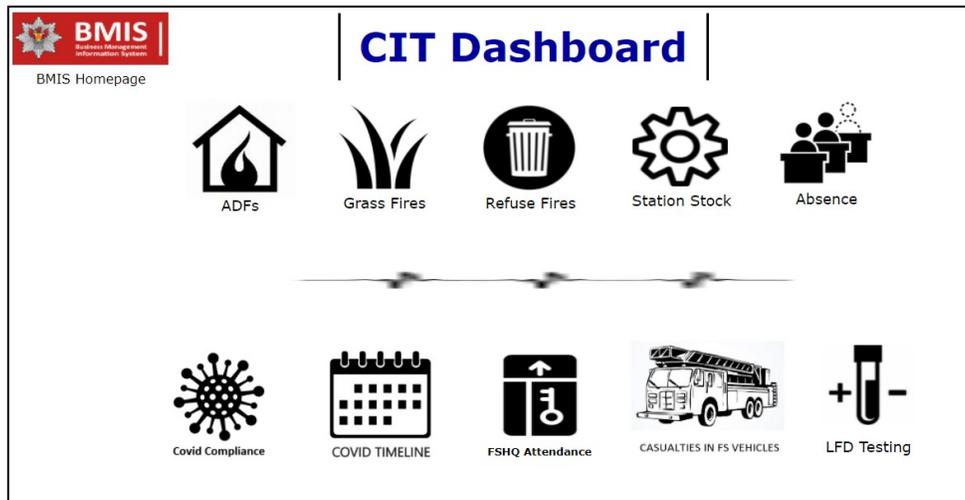
The Welsh Language Commissioner set out the [Standards that apply to SWFRA](#) in September 2016 along with any exemptions and their implementation dates. SWFRA received the internal annual report on compliance against the standards in the HR & Equalities Committee on 28 February 2022 the report can be accessed on page 39 of this [document](#).

In their letter dated 21 October 2021 the Welsh Commissioner regarding the Results of the Welsh Language Commissioner's verification checks stated that:

***"...you've performed very well as an organisation and should be proud of the results. The results are the consequences of your hard work and the organisation's commitment and investment to comply with the standards."***

The Service continued to develop the Business Management Information System (BMIS) which enables the Service to link and display overall performance to help inform the Service of its progress and drive decision making. Over the last twelve months further functionality of the system was developed to establish additional internal assurance. The system was rolled out to stations to allow greater interaction and use of the system particularly the additional statistical data measures. A suite of CIT dashboards were further developed which provides up to date information informing the Service's Covid response and decision making, including dashboards for Personal Protective Equipment (PPE) Inventory on station, sickness absence levels for all staff groups and facility Covid Compliance.

The image below is a screen shot of the Covid Compliance Dashboard.



The system continued to deliver our Business Plans and station Community Risk Management Plans (CRMPs), as well as statistical performance data (including incident statistics).

The Service's integrated Core HR and Payroll system successfully maintained the online recruitment digital module enabling prospective employees to apply for Wholetime Firefighter posts electronically, whilst still enabling prospective employees to apply in more traditional means. The HR team are also conducting a move from the Core back-office product to the Core portal product. Additionally, the Personal Review process was trialled and tested with wide scale engagement prior to launch across the Service utilising the Talent Module within Core HR.

The service embedded the 2020/2021 IIP successes where it achieved Gold in the People award and Silver in the Wellbeing award. Actions from the 12-month review have been carried out through normal business planning processes and recorded in the BMIS system utilised by the Service. The Services Wellbeing Steering Group is active in promoting and generating Wellbeing improvements for all staffing groups.

The aim of the Well-being of Future Generations Act 2015 is to improve the social, economic, environmental and cultural well-being of Wales. The Service's statement of wellbeing is published in the year three update of the [Strategic Plan 2020/2030](#).

We continued to work with local health boards to share information to identify the extent of unreported injuries resulting from fires to enable identification of potential vulnerable people or higher risk premises.

As one of the statutory partners on five Public Service Boards, we continued to support the local Well-being Plans, and have evidenced how the goals are being achieved through annual review to SWFRA on 28th March 2022 and can be seen on page 195 of this [link](#). We have ensured that we were able to deliver against the needs and expectations of each Public Service Board's objectives without impacting on the day-to-day service delivery of the organisation.

The Service maintained its co-location projects in a number of locations. Significant building works have continued this year. Due to Covid-19 there was a need to review the schedules of works due to temporary materials issues and to enable Covid compliant working routines and a reporting process on site. The refurbishment of Pontypridd Fire Station was enhanced with the completion of a new style drill tower before December 2021. Refurbishment works completed on Tonypandy Station. Additional significant projects were the successful continuation of the facilities management of the Compartment Fire Behaviour Training facility at the Cardiff Gate Training Centre and Phase 2 of the Electric Vehicle charging infrastructure works on eleven strategically identified stations before the end of March 2022, along with phase 3 of chargers at Cardiff gate which supports the new electric vehicles within the fleet.

A five year strategy for station drill tower replacement and refurbishment has been planned and commenced. The Service has also undertaken a major review of the on-call estate and developed a staged programme to improve amongst other elements energy efficiency, drying rooms, and PPE storage to ensure that the on-call stations are appropriate for the modern firefighter function. A national resilience facility has commenced development within the estates footprint in collaboration with the Welsh Government (WG) funding.

The Service maintained compliance with the National Framework for Fire and Rescue Services whilst also continuing to engage with the Welsh Government White Paper on Reform of Fire and Rescue Authorities in Wales.

The Service progressed the Job Evaluation project following the implementation of the revised structure for Green Book staff. The analysis and subsequent pay modelling elements were developed. The results of the new pay structure were developed and communicated with staff and the appeals process supported.

Changes to pension and tax legislation continued to provide challenges to the organisation. Regular updates on progress and emerging issues were reported to and monitored by the Local Pension Board and FRA.

The Accounts and Audit (Wales) (Amendment) Regulations 2018 set the requirement to approve and publish the accounts by 31 May and 31 July respectively. The internal closure of the accounts at year end was successful for the third year running and the 31 May deadline was met, the audited accounts were published before 31 July 2021. The public had the opportunity to exercise their right to inspect the accounts from Monday 2<sup>nd</sup> June to Friday 2<sup>nd</sup> July inclusive. On Monday 5<sup>th</sup> of July the public could exercise their right to question the Auditor General until completion of the audit.

Initial work was undertaken in 2020/2021 to assess the extent to which the Service meets the requirements set out in the CIPFA Financial Management Code 2019. This was complimented with a full self-assessment completed during the 2021/2022 financial year which was presented to SMT and then the FAPM Scrutiny group at the 06 December meeting. The code was formally adopted by the FAPM Committee in the March 2022 meeting and can be viewed on page 17 of this [document](#).

The Local Government and Elections (Wales) Act 2021 (the 'LGE Act') was passed by the Senedd on 18 November 2020 and received Royal Assent on 20 January 2021. Having monitored the Bills progress since publication in November 2019 and having actively engaged with the public consultations on the Regulations to establish corporate joint committees. The Service is now reviewing the requirements placed on it by the LGE Act.

As a result, the Service will be putting in measures to enable the Standards Committee to produce an annual report to the FRA after the end of each financial year, with effect from 5 May 2022. After which the SWFRA will consider the report and any recommendations made by its Standards Committee within three months of its receipt. The inaugural Standards Committee Report was reviewed by the Fire Authority in the March 2022 Meeting and the document can be viewed on page 183 of this [document](#).

Although the LGE Act dis-applies the Local Government Measure ('2009 Measure') for principal councils this has not yet been commenced in respect of Fire and Rescue Authorities. In order to dis-apply the 2009 Measure, new performance management arrangements will need to be developed under section 167 of the Act, which in turn depends on developing a new National Framework for Fire and Rescue Services under section 21 of the Fire and Rescue Services Act 2004. Discussions and work to create a new National Framework and performance arrangements continued to be paused due to heightened pressures as a result of the Covid-19 pandemic, the Authority awaits for these to be resumed. Until a new National Framework and revised arrangements have been introduced, the 2009 Measure will continue to apply to FRAs in Wales. FRAs are therefore still required to continue to set improvement objectives for 2022/2023 under the 2009 Measure. A report assessing performance against the 2021/2022 improvement objectives is required to be published by 31 October 2022.

The SWFRA continued to follow the progress of national negotiations on pay and the broadening of the firefighter role and continued to assess any consequent impacts upon the Authority. The written statement from the Deputy Minister for Housing and Local Government can be seen [here](#). A report was submitted SWFRA reported to SWFRA in February 2022 and can be seen on page 163 on this [link](#).

The Service published the Carbon Reduction plan on its website which is accessible via this [link](#). The FRA also received the Biodiversity action plan in Dec 2019 and can be seen on page 85 of this [document](#). Audit Wales completed a Carbon Emissions Reduction Report which was received by the FAPM Committee in April 2022 and can be seen on page 41 on this [link](#). The review determined that the Fire & Rescue Authority is creating the right infrastructure to become carbon neutral by 2030 but needs to deliver its ambitious targets and address some big risks.

This Annual Governance Statement is a reflection of the operation of the Service during the whole of the 2021/2022 financial year and up to the date of approval of the publication of the Statement of Accounts.

SWFRA approved the Health, Safety and Wellbeing Annual Report 2020/2021 at the 27 September 2021 (which can be viewed on page 35 of this [link](#)) the report provided a summary of the key activities' undertaken, and the performance of South Wales Fire & Rescue Service in the area of Health, Safety and Wellbeing which evidenced the delivery of an environment that was supportive of the Health, Safety and Welfare of staff, especially during the current pandemic.

The Grenfell Tower Inquiry Thematic Review Progress Report was presented to SWFRA on 14 February 2022 (which can be viewed on page 97 of this [link](#)). This report provided an update on the progress made against required actions of the Thematic Review into the extent to which the Welsh Fire & Rescue Services had taken action to address the Grenfell Tower Inquiry recommendations.

## **6. Significant Governance Issues and Challenges for 2022/2023**

The Service will be maintaining the operating in a Covid Environment approach with the continuation of the CIT regime to access and respond to the latest UK and Welsh Government advice ensuring that we maintain operations and support in Covid secure environments. The Service will also continue its wider support offer to partner agencies and continue to respond to calls for support as and when required. The Service will continue to deliver activities in line with government legislation and guidance as the nation moves from pandemic to endemic ([link to document](#)).

The Strategic Covid-19 Risk and associated control tasks will continue to be monitored and the response tailored to emerging situations. The actions taken will ensure that we continue to mitigate the effects of the pandemic on the Service and its work in our wider communities. However, as the endemic continues into 2022/2023, the full and lasting effects still remain to be seen.

Using the powers contained within the Coronavirus Act 2020, meetings of the Authority will continue to be held virtually, using video conferencing software and recorded for publication online. The Service will be working towards embodying the full provisions of the LGE Act including the broadcasting and access to recording of SWFRA meetings.

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 maintain good hygiene and work safely both within operational incidents and in the general workplace. The ability for office-based staff to work from home will be maintained.

Operational response will continue to operate as normal using required PPE (based on NFCC guidance) to ensure firefighters attending operational incidents are protected. Staff who can work from home are still enabled to do so whilst ensuring that all teams are represented effectively in the workplace. (The service is adopting a flexible approach to recognising that individuals will have a designated workplace) The safer and more innovative ways of delivering services that were developed will be maintained and built upon during 2022/2023.

Over the next 12 months the Service will continue the development of BMIS to support both the Covid-19 response and support business as usual.

The Service's integrated Core HR and Payroll system will be further developed looking to deliver the Core Portal which will further improve efficiency and internal processes. The digital application piloted for Wholetime Firefighter roles will be further developed across the Service. The new Personal Review process will be embedded within the Service utilising the Talent Module within Core HR. The Service will also be launching the new learning management system allowing staff to access and record development activity.

Following the success of the IIP review in 2020/2021 where the Service achieved Gold in the People award and Silver in the Wellbeing award the Service will look to embed these successes and build on these for future reviews. Actions from the 12-month IIP review will continue through normal business planning processes and recording in the BMIS system. The Services Wellbeing Delivery Group will continue activity promoting and generating Wellbeing improvements for all staffing groups. The Service will also be carrying out a review and refresh of Equality, Inclusion and Diversity activity, establishing a baseline and identifying future strategy. Station wellbeing areas will continue 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 will complete 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 will continue to provide challenges to the organisation and the capacity to deal with the complex issues with existing resources continues to be of concern with various options continuing to be explored.

Public Sector Funding also remains a challenge. The impact of increased demand on public sector services and spending reductions in the public sector is a key issue for SWFRA and the settlements that local authorities face is always taken into account when SWFRA sets its annual budget. These factors are always carefully considered when determining the MTFS.

The Accounts and Audit (Wales) (Amendment) Regulations 2018 set the requirement to approve and publish the accounts by 31 May and 31 July, notwithstanding the Covid-19 pandemic plans and preparations for maintaining the shortened timetable in 2022/2023 for the fourth year running and is transforming into business as usual using further lessons learned and embedding new ways of working with Audit Wales in completing the audit fieldwork remotely.

The action plan resulting from the self-assessment, to evaluate the extent to which the Service meets the requirements set out in the CIPFA Financial Management Code 2019, and the resulting actions and recommendations from the FAPM Committee in March 2021 will be pursued.

The Authority will take 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 SWFRA will continue to follow the progress of national negotiations on pay and the broadening of the firefighter role and assess any consequent impacts upon the Authority.

Looking to longer term improvement and developments the Service will continue to progress the Biodiversity and Carbon Reduction plans. In light of Audit Wales report which can be seen on page 41 on this [link](#) the Authority will review the actions contained within the relevant plans and ensure the data capture and monitoring of progress against the targets is improved. Staff engagement will be key to ensure involvement and ownership if the Authority is to succeed in the outcomes of the various projects which will help deliver the challenging carbon reduction targets.

The Socio-Economic Duty is embedded at the heart of decision making and delivering 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 can be seen on page 42 of the year 3 update of our Strategic plan which can be viewed [here](#).

The current Scrutiny Group arrangements within the Authority remain under review. It is envisaged the new Scrutiny Group will cover wider organisational areas of scrutiny and thematic reviews within the Authority. The effect of these proposed reforms on the FAPM Committee and the HR & Equalities Committee and associated changes to the agreed terms of reference continue to be deliberated.

The Service continues to be an active participant in the Joint Emergency Services Group (JESG) and along with the other partner agencies will continue to work collaboratively to improve the services provided to and outcomes for our communities. The recommendations from Audit Wales “Joint Working Between Emergency Services” report published January 2022 which can be seen on this [link](#) will be considered by JESG and implemented as appropriate. The governance surrounding these recommendations will be reported through the Strategic Collaboration Board to JESG.

Supply chain issues for key strategic contracts will continue to be closely monitored to limit the risks and impacts to the Service by utilising strong contract management to minimise the impact on the service due to either global shortages, Covid impacts or global conflict.

## 7. Governance Action Plans

<b>Governance Action Plan 2021/2022</b>				
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Completion Date</b>	<b>Progress</b>
<p>Reform of Fire and Rescue Authorities in Wales</p> <p>Lead Officer: Assistant Chief Officer - Director Corporate Services</p>	<p>Respond to the requirements placed upon the organisation.</p>	<p>The Service will be in compliance with requirements from Welsh Government and able to evidence robust Governance, Financial arrangements and performance management.</p>	<p>To be determined pending Welsh Government response to the White Paper.</p>	<p>The Service continues to proactively engage with Welsh Government who have stated that this is no longer a direction of travel for Welsh FRA's.</p>
<p>Constitutional Documents</p> <p>Lead Officer: Assistant Chief Officer - Director Corporate Services</p>	<p>To review and update the Constitutional Documents of the Service.</p>	<p>The constitutional documents will be updated to reflect the outcomes of:</p> <p>Local Government and Elections (Wales) Act taking necessary actions as a consequence implemented.</p>	<p>14 June 2021</p>	<p>The Model Constitution still in development working with Monitoring Officer Group.</p> <p>Developing capacity for hybrid meetings significant project and investment – dependant on other significant enabling projects being completed first.</p>

**Governance Action Plan 2021/2022**

Issue	Action	Outcome	Completion Date	Progress
<p>Brexit</p> <p>Lead Officer: Deputy Chief Fire Officer - Director Technical Services</p>	<p>Provide adequate planning and resilience through the Brexit Process.</p>	<p>The Service will continue to deliver all functions during the Brexit process and beyond.</p>	<p>September 2021.</p> <p><b>COMPLETE</b></p>	<p>Significant internal preparations as well as close partnership working with Local Resilience Forums and NFCC ensured a consistent approach. Close management and monitoring of ongoing issues such as supply chain challenges following withdrawal from the EU were effective in minimising the impact on the Service.</p>
<p>Pensions Appeals</p> <p>Lead Officer: Assistant Chief Officer - Director People Services</p>	<p>To implement the decisions of national pensions appeals in line with national guidance when issued.</p>	<p>Appeals determined.</p>	<p>As per the national guidance.</p>	<p>Progress around internal appeals and external appeals have been monitored regularly and potential impacts discussed with SWFRA. The local pension board have been active in supporting and providing input to this process.</p>

**Governance Action Plan 2021/2022**

Issue	Action	Outcome	Completion Date	Progress
<p>Job Evaluation</p> <p>Lead Officer: Assistant Chief Officer - Director People Services</p>	<p>The 227 Corporate (Green Book) posts within the Service will be reviewed to ensure that our people are remunerated fairly and in line with their current roles and responsibilities.</p>	<p>Identify appropriate remuneration for individual roles.</p> <p>Completion of the process may involve the appropriate processing of appeals and the development of a new pay structure.</p>	<p>Q2 2021</p>	<p>The analysis and design of the pay model are complete.</p> <p>Results communicated to staff and appeals supported.</p> <p>Phase 2 will commence on completion of appeals process.</p>
<p>Biodiversity and Carbon Reduction Plan</p> <p>Lead Officer: Assistant Chief Officer - Director Corporate Services</p>	<p>To seek to maintain and enhance biodiversity and reduce the carbon footprint in the proper exercise of the Services functions, and in doing so promote the resilience of ecosystems.</p>	<p>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.</p>	<p>March 2023</p>	<p>Electric charging infrastructure and vehicles programmes well underway.</p> <p>Wellbeing areas being developed on stations.</p> <p>Plan published and update reported to SWFRA.</p>
<p>Covid-19 Response and Recovery</p> <p>Lead Officer: Chief Fire Officer</p>	<p>To continue to review and reflect on learning from the Services response to and recovery from the Covid-19 pandemic.</p>	<p>Tested business continuity plans to respond to and recover from future instances.</p>	<p>Extended to December 2021 from an original date of March 2021.</p>	<p>The CIT has operated throughout the pandemic to steer the Service response to emerging and changing government advice and regulation.</p>

**Governance Action Plan 2021/2022**

Issue	Action	Outcome	Completion Date	Progress
<p>Covid-19 Response and Recovery (cont.)</p> <p>Lead Officer: Chief Fire Officer</p>	<p>Maintain a Covid-19 Secure Workplace.</p>	<p>A robust Service able to deliver services within a Covid19 working environment.</p>		<p>The Service has implemented new working practices, safe systems of work and infection prevention and control measures to ensure a covid secure workplace for all staff at all times and implemented measures to provide a Covid secure workplace for all its staff.</p>
	<p>Deliver value for money and effective governance in a Covid-19 Environment.</p>	<p>The Service continues to maintain the highest of standards of conduct with regard to financial administration and corporate governance.</p>	<p>Extended to December 2021 from an original date of March 2021.</p>	<p>The Service has invested in additional ICT equipment to improve remote working with the ability to engage with partners and conduct business over the numerous digital platforms that are being used.</p>
	<p>Identify new and innovative ways to deliver Services and Engage with the public in a Covid-19 environment.</p>	<p>New ways of working to safely deliver Services and engage with our communities in person, remotely and virtually to ensure the Service continues to reduce risk across the communities that it serves.</p>		<p>Operational response has been maintained and new innovative ways to educational, engagement and risk reduction services have been developed. The digital infrastructure is being utilised as normal service activities such as training and workforce engagement.</p>

**Governance Action Plan 2021/2022**

Issue	Action	Outcome	Completion Date	Progress
<p>Socio Economic Duty</p> <p>Lead Officer:</p> <p>Assistant Chief Officer - Director Corporate Services</p>	<p>Implement the principles of the Socio – Economic Duty in our planning and reporting systems. To enable the Service when making any strategic decisions, to have due regard of the need to reduce the inequalities resulting from socio-economic disadvantage.</p>	<p>Ensuring that strategic decisions made by the Service:</p> <ul style="list-style-type: none"> <li>• take account of evidence and potential impact through consultation and engagement</li> <li>• understand the views and needs of those impacted by the decision, particularly those who suffer socio-economic disadvantage</li> <li>• welcome challenge and scrutiny</li> <li>• drive change in the way that decisions are made</li> </ul>	<p>Fire Authority Report Template 14 June 2021</p> <p>Strategic Plan October 2021</p>	<p>SWFRA Report template updated and in use.</p> <p>Integrated Assessment process to ensure socioeconomic factors are considered at all decision making stages from planning, risk assessment, implementation and evaluation.</p>
<p>CIPFA Financial Management Code 2019</p> <p>Lead Officer: Treasurer</p>	<p>Undertake a full assessment of the Service's compliance with the principles of the CIPFA FM Code.</p>	<p>Improve financial resilience of the Service by embedding enhanced standards of financial management.</p> <p>Identify and address any gaps or limitations in compliance with the FM Code.</p>	<p>December 2021</p>	<p>Self-assessment completed and reported to FAPM Committee with adoption by March 2022.</p>

**Governance Action Plan 2022/2023**

<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>
Constitutional Documents	To review and update the Constitutional Documents of the Service.	The constitutional documents will be updated to reflect the outcomes of:  Local Government and Elections (Wales) Act taking necessary actions as a consequence implemented.	Assistant Chief Officer - Director Corporate Services	Model Constitution still in development working with Monitoring Officer Group.  September 2022
Member Induction and Refresher training	Following the Local Government Elections, the new Fire Authority will be inducted on the governance mechanisms of SWFRS.	Fully Trained Members able to constructively support the delivery of the statutory duties of the Fire Authority and the Service.	Assistant Chief Officer - Director Corporate Services	September 2022
Supply chain challenges	Provide adequate supplies to support all operational and prevention activities.	The Service will continue to receive supply chain items with minimal disruption.	Assistant Chief Officer - Director Corporate Services	March 2023
Fire Fighter Pensions Appeals	To implement the decision of the Employment Tribunal in respect of McCloud / Sargeant.	Firefighters pensions corrected and calculated appropriately going forward.	Assistant Chief Officer - Director People Services	As per the new legislative framework.

**Governance Action Plan 2022/2023**

<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>
Job Evaluation	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.  Identify future working practices for the Service to enable consistent Job Evaluation activity.	Review of Job Titles and Allowances.  Established process for future Job Evaluation activity.	Assistant Chief Officer - Director People Services	Q4 2022/23
Biodiversity and Carbon Reduction Plan	To seek to maintain and enhance biodiversity and reduce the carbon footprint in the proper exercise 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.	Assistant Chief Officer - Director Corporate Services	Q4 2022/23
Fire Safety Act 2021	Identify requirements from the Fire Safety Act 2021 and embody and actions required to enable the Service to fully support the act.	Service able to fulfil its statutory duty.	Assistant Chief Fire Officer - Director Service Delivery	Q3 2022/23
Living Wage Foundation Accreditation	Achieve living wage accreditation.	Become an accredited living wage employer.	Assistant Chief Officer - Director People Services	Q2 2022/23
Living with Covid-19 transitioning from pandemic to endemic	To continue to review and reflect on learning from the Services response to and recovery from the Covid-19 pandemic.	Tested business continuity plans to respond to and recover from future instances.	Chief Fire Officer	Q4 2022/23

### Governance Action Plan 2022/2023

Issue	Action	Outcome	Lead Officer	Completion Date
Living with Covid-19 transitioning from pandemic to endemic (cont.)	<p>Maintain an appropriate Covid-19 Secure Workplace.</p> <p>Continue to deliver value for money and effective governance in a Covid-19 Environment.</p> <p>Identify new and innovative ways to deliver Services and Engage with the public in a Covid-19 environment.</p>	<p>A robust Service able to deliver services within a Covid19 working environment.</p> <p>The Service continues to maintain the highest of standards of conduct with regard to financial administration and corporate governance.</p> <p>New ways of working to safely deliver Services and engage with our communities in person, remotely and virtually to ensure the Service continues to reduce risk across the communities that it serves.</p>		
CIPFA Financial Management Code 2019	Embody actions and recommendations from the self-assessment of the Service's compliance with the principles of the CIPFA FM Code.	<p>Improve financial resilience of the Service by embedding enhanced standards of financial management.</p> <p>Address any gaps or limitations in compliance with the FM Code.</p>	Treasurer	Q4 2022/23

Internal documents referred to in this statement can be found on our website at <https://www.southwales-fire.gov.uk/>

## 8. Summary Conclusion

South Wales Fire and Rescue Authority 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 Members and officers acting in accordance with high standards of conduct. The organisation operates in an economical, effective, efficient and ethical manner.

The Authority 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 Authority considers that its governance arrangements for 2021/2022 remained fit for purpose.

It is believed that the scrutiny, internal and external audit processes as well as risk management have demonstrated that the Corporate Governance in this organisation is effective, existing arrangements are fit for purpose and the Authority is well placed to meet its aims and objectives, to achieve the intended outcomes for the community and service users.

The Authority is satisfied that appropriate governance arrangements are in place and remains committed to enhancing these through the implementation of the action plan for 2022/2023.

## 9. Joint Statement by the Fire & Rescue Authority Chairperson and Chief Fire Officer

We propose to take steps to address all of the above matters to further enhance our 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 2022/2023, will include an updated position against the governance issues identified in the 2021/2022 Statement.

Signed: 	Signed: 
<b>Finance, Audit &amp; Performance Management Committee Chair</b>	<b>Chief Fire Officer</b>
Date: 25/07/ 2022	Date: 25/07/2022

## **AUDITOR'S REPORT**

**The independent auditor's report of the Auditor General for Wales to the members 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 2022 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 a summary of significant accounting policies.

The Firefighters Pension Fund Accounts comprise the Fund Account and Net Assets Statement and related notes.

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 2021-22.

In my opinion 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 2022 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 2021-22.

### **Basis of 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. I am 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 the South Wales Fire and Rescue Authority and the 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.

## **Report on other requirements**

### **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 the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021-22;
- 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 the Annual Governance Statement has been prepared 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 the South Wales Fire and Rescue Authority Firefighters 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:

- 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; or
- I have not received all the information and explanations I require for my audit.

## **Responsibilities**

### **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 for such internal control 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.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the South Wales Fire and Rescue Authority and the South Wales Fire and Rescue Authority Firefighters 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 deemed inappropriate.

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

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 and those charged with governance, including obtaining and reviewing supporting documentation relating to South Wales Fire and Rescue

Authority and the South Wales Fire and Rescue Authority Firefighters 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 following areas: revenue recognition, posting of unusual journals;
- obtaining an understanding of South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighters 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 Firefighters 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 Firefighters Pension Fund.

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 Finance, Audit and Performance Management Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Fire and Rescue Authority;
- 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.

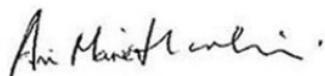
The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the South Wales Fire and Rescue Authority's and South Wales Fire and Rescue Authority Firefighter's Pension Fund's controls,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

## Certificate of completion of audit

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

*The maintenance and integrity of South Wales Fire and Rescue Authority's website is the responsibility of Authority; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*



Ann-Marie Harkin  
For and On Behalf of the Auditor General for Wales  
26 July 2022

24 Cathedral Road  
Cardiff  
CF11 9LJ



## 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 Authority Reserves £000
<b>Balance as at 31 March 2021 carried forward</b>	-3,000	-10,526	-129	-13,655	982,028	968,373
<b>Total Comprehensive Income and Expenditure</b>	23,091	0	0	23,091	-65,569	-42,478
Adjustments between accounting basis and funding basis under regulations (note 3)	-26,918	179	129	-26,610	26,610	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	-3,827	179	129	-3,519	-38,959	-42,478
Transfers to/(from) Earmarked Reserves	3,827	-3,827	0	0	0	0
<b>(Increase)/Decrease in 2021/22</b>	0	-3,648	129	-3,519	-38,959	-42,478
<b>Balance as at 31 March 2022 carried forward</b>	-3,000	-14,174	0	-17,174	943,069	925,895

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Total usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2020 carried forward</b>	<b>-3,000</b>	<b>-9,345</b>	<b>-74</b>	<b>-12,419</b>	<b>870,866</b>	<b>858,447</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>21,371</b>	<b>0</b>	<b>0</b>	<b>21,371</b>	<b>88,555</b>	<b>109,926</b>
Adjustments between accounting basis and funding basis under regulations (note 3)	-22,685	133	-55	-22,607	22,607	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>-1,314</b>	<b>133</b>	<b>-55</b>	<b>-1,236</b>	<b>111,162</b>	<b>109,926</b>
Transfers to/(from) Earmarked Reserves	1,314	-1,314	0	0	0	0
<b>(Increase)/Decrease in 2020/21</b>	<b>0</b>	<b>-1,181</b>	<b>-55</b>	<b>-1,236</b>	<b>111,162</b>	<b>109,926</b>
<b>Balance as at 31 March 2021 carried forward</b>	<b>-3,000</b>	<b>-10,526</b>	<b>-129</b>	<b>-13,655</b>	<b>982,028</b>	<b>968,373</b>

## BALANCE SHEET

31 March 2021		31 March 2022	
£000		£000	Notes
82,243	Property, Plant and Equipment	85,235	9
137	Intangible assets	111	
300	Long Term Debtors	200	13
<b>82,680</b>	<b>Long Term Assets</b>	<b>85,546</b>	
1,046	Inventories	962	
7,016	Short Term Debtors	4,738	13
3,198	Cash and Cash Equivalents	7,158	14
<b>11,260</b>	<b>Current Assets</b>	<b>12,858</b>	
-365	Short Term Liabilities	-419	33
-1,082	Short Term Borrowing	-1,572	10
-7,013	Short Term Creditors	-4,783	15
-118	Provisions	-38	16
<b>-8,578</b>	<b>Current Liabilities</b>	<b>-6,812</b>	
-28,146	Long Term Borrowing	-26,737	10
-4,096	Other Long Term Liabilities – PFI	-3,677	33
-1,021,493	Liability related to defined benefit pension schemes	-987,073	34
<b>-1,053,735</b>	<b>Long Term Liabilities</b>	<b>-1,017,487</b>	
<b>-968,373</b>	<b>Net Assets</b>	<b>-925,895</b>	
-13,655	Usable Reserves	-17,174	17
982,028	Unusable Reserves	943,069	18
<b>968,373</b>	<b>Total Reserves</b>	<b>925,895</b>	

## CASH FLOW STATEMENT

2020/21		2021/22
£000		£000
21,371	<b>Net deficit on the provision of services</b> (CIES & note 23)	<b>23,091</b>
-24,025	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 23)	-30,567
-1,499	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 23)	-1,185
-4,153	Net cash (inflow)/outflow from Operating Activities	-8,661
3,659	Investing Activities (note 24)	1,837
-804	Financing Activities (note 24)	2,864
-1,298	Net (increase) or decrease in cash and cash equivalents	-3,960
1,900	Cash and cash equivalents at the beginning of the reporting period	3,198
3,198	<b>Cash and cash equivalents at the end of the reporting period (note 14)</b>	7,158

**Note**

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

## **ACCOUNTING POLICIES**

### **GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2021/22 financial year and its position for the year ended 31 March 2022. The Authority 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 2021/22 (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 Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 Authority 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 triennial 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 Authority 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 Authority 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 Authority'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 authority 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 authority, 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 authority'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 authority 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 authority, 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 authority 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 Authority 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 Authority, 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 Authority 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 Authority 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 Authority;
- 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 £10,000;
- the items form a group of assets which individually have a cost of at least £250, collectively have a cost of at least £10,000, 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.

### **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 has been carried out as at 31 March 2022 to reflect increases in property value for buildings held at Depreciated Replacement Cost.

The Authority 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 Authority). 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 Authority.

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 Authority'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 Authority 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 Authority 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 Authority 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 Authority 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 Authority'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 Authority 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 Authority 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 2022/23 are:

- IFRS 1 (First-time adoption) - amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
- IAS 37 (Onerous contracts) - clarifies the intention of the standard.
- IFRS 16 (Leases) - amendment removes a misleading example that is not referenced in the Code material.
- IAS 41 (Agriculture) - one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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

## NOTES TO THE FINANCIAL STATEMENTS

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

In applying the accounting policies, the Authority 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 Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority 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 Authority 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 Authority's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
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 Authority.	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 10)	The Authority 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 2022 a desktop revaluation exercise of operational properties measured on depreciated replacement costs (DRC) was completed by the Authority'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 Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

## Adjustments between accounting basis and funding basis under regulations

2020/21					2021/22				
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>					
-4,182	0	0	4,182	Charges for depreciation and impairment of non-current assets	-4,375	0	0	4,375	
				Revaluation losses on Property Plant and Equipment					
69	0	0	-69	Capital grants and contributions applied	392	0	0	-392	
-116	116	0	0	PFI transactions to earmarked reserves	-179	179	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	
-4,229	116	0	4,113		-4,162	179	0	3,983	
				<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>					
				<b>Statutory provision for the financing of Capital Investment</b>					
3,133	0	0	-3,133	Capital expenditure charged against the General Fund	3,066	0	0	-3,066	
203	17	0	-220		200	0	0	-200	
				<b>Adjustments primarily involving the capital receipts reserve:</b>					
55	0	-55	0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	58	0	-60	2	
0	0	0	0	Contribution from the Capital Receipts Reserve to finance new capital expenditure	0	0	189	-189	
3,391	17	-55	-3,353		3,324	0	129	-3,453	
				<b>Adjustments primarily involving the Pensions Reserve:</b>					
				Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-37,525	0	0	37,525	
-32,739	0	0	32,739	Employer's pension contributions and direct payments to pensioners payable in the year	11,275	0	0	-11,275	
11,340	0	0	-11,340						
-21,399	0	0	21,399		-26,250	0	0	26,250	
				<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)	170	0	0	-170	
-448	0	0	448						
-22,685	133	-55	22,607	<b>Total Adjustments:</b>	-26,918	179	129	26,610	

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

2020/21			2021/22			
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
73,566	1,705	75,271	Fire Fighting Services	73,703	5,933	79,636
<b>73,566</b>	<b>1,705</b>	<b>75,271</b>	Net Cost of Services	<b>73,703</b>	<b>5,933</b>	<b>79,636</b>
-74,880	20,980	-53,900	Other Income and Expenditure	-77,530	20,985	-56,545
<b>-1,314</b>	<b>22,685</b>	<b>21,371</b>	(Surplus) / Deficit (Note 4 and Note 5)	<b>-3,827</b>	<b>26,918</b>	<b>23,091</b>
-3,000			Opening General Fund Balance	-3,000		
-1,314			+/- (Surplus) / Deficit on General Fund	-3,827		
<b>1,314</b>			Transfers to / (from) earmarked reserves	<b>3,827</b>		
<b>-3,000</b>			<b>Closing General Fund Balance at 31 March</b>	<b>-3,000</b>		

	<b>2021/22</b>			
<b>Adjustments from General Fund to arrive at the CIES Amounts</b>	<b>Adj's for Capital Purposes £000</b>	<b>Net change for the Pensions Adj's £000</b>	<b>Other Differences £000</b>	<b>Total £000</b>
Fire Fighting Services	1,474	5,780	-1,321	5,933
<b>Net Cost of Services</b>	<b>1,474</b>	<b>5,780</b>	<b>-1,321</b>	<b>5,933</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	-58	20,470	573	20,985
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services</b>	<b>1,416</b>	<b>26,250</b>	<b>-748</b>	<b>26,918</b>

	<b>2020/21</b>			
<b>Adjustments from General Fund to arrive at the CIES Amounts</b>	<b>Adj's for Capital Purposes £000</b>	<b>Net change for the Pensions Adj's £000</b>	<b>Other Differences £000</b>	<b>Total £000</b>
Fire Fighting Services	1,076	889	-260	1,705
<b>Net Cost of Services</b>	<b>1,076</b>	<b>889</b>	<b>-260</b>	<b>1,705</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	-55	20,510	525	20,980
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services</b>	<b>1,021</b>	<b>21,399</b>	<b>265</b>	<b>22,685</b>

## Note 5 - EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Salaries, NI & Superannuation	61,138	61,251
Pensions (ill health)	1,082	975
Travel & Subsistence	288	242
<b>Total Employee Costs</b>	<b>62,508</b>	<b>62,468</b>
Premises Related Expenses	5,441	5,324
Training Expenses	1,325	1,549
Supplies & Services	5,152	5,522
Transport Related Expenses	1,337	1,433
Contracted Services	939	958
Capital Costs / leases	4,335	4,101
Gross Expenditure	81,037	81,355
Income	-7,471	-7,652
<b>(Surplus) / Deficit for the year</b>	<b>73,566</b>	<b>73,703</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	448	-170
IAS 19 adjustments	21,399	26,250
PFI operating costs	1,454	1,331
Financing adjustment re: PFI /Leases	451	491
Depreciation (Inc impairments)	4,182	4,375
Capital grant	-69	-392
Non-current asset disposal	-55	-60
Contributions from constituent authorities	-74,880	-77,530
PFI Grant	-1,043	-1,004

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

CERA	-203	-200
MRP (excluding PFI & Leases)	-2,904	-2,699
Contribution to PFI	-975	-1,004

<b>(Surplus) / Deficit on the Provision of Services</b>	<b>21,371</b>	<b>23,091</b>
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## Note 6 - OTHER OPERATING EXPENDITURE AND INCOME

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
-55	Net (Gain)/Loss on disposal of non-current assets	-58
<b>-55</b>	<b>Total</b>	<b>-58</b>

## Note 7 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
1,570	Interest payable and similar charges	1,587
20,510	Pensions interest cost and expected return on pensions assets	20,470
-2	Interest receivable and similar income	-10
<b>22,078</b>	<b>Total</b>	<b>22,047</b>

## Note 8 - TAXATION AND NON SPECIFIC GRANT INCOME

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
74,880	Local Authority Contributions (note 29)	77,530
72	Capital Grants & Contributions	392
1,043	Government Grants – PFI (note 33)	1,004
<b>75,995</b>	<b>Total</b>	<b>78,926</b>

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

### Fixed Assets 2021/22

	Land & Buildings	Vehicles & Equipment	Training Centre / PFI	PPE Total
<u>Cost/Valuation</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Gross book value at 31 March 2021	63,814	36,932	5,890	106,636
Additions	1,164	1,072	0	2,236
Disposal of Assets	0	-529	0	-529
Revaluation	1,412	0	515	1,927
Gross book value at 31 March 2022	66,390	37,475	6,405	110,270

### Depreciation and Impairments

Accumulated depreciation at 31 March 2021	1,485	22,728	180	24,393
Annual depreciation	1,542	2,531	180	4,253
Revaluation	-2,724		-360	-3,084
Disposal of Assets	0	-527	0	-527
Accumulated depreciation as at 31 March 2022	303	24,732	0	25,035
Net book value at 31 March 2021	62,329	14,204	5,710	82,243
Net book value at 31 March 2022	66,087	12,743	6,405	85,235

Note: all properties with exception of PFI are freehold.

**Fixed Assets 2020/21**

	<b>Land &amp; Buildings</b>	<b>Vehicles &amp; Equipment</b>	<b>Training Centre / PFI</b>	<b>PPE Total</b>
<b><u>Cost/Valuation</u></b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross book value at 31 March 2020	62,889	35,080	5,890	103,859
Additions	1,057	2,478	0	3,535
Disposal of Assets	0	-570	0	-570
Impairment	-132	-56	0	-188
Gross book value at 31 March 2021	63,814	36,932	5,890	106,636
<b><u>Depreciation and Impairments</u></b>				
Accumulated depreciation at 31 March 2020	0	20,935	0	20,935
Annual depreciation	1,485	2,363	180	4,028
Disposal of Assets	0	-570	0	-570
Accumulated depreciation as at 31 March 2021	1,485	22,728	180	24,393
Net book value at 31 March 2020	62,889	14,145	5,890	82,924
Net book value at 31 March 2021	62,329	14,204	5,710	82,243

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 2021	31 March 2022	31 March 2021	31 March 2022
<b>Borrowing</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities (principal amount)	28,146	26,737	916	1,409
+ Accrued Interest (accrued interest is short term)	0	0	166	163
<b>Total borrowings</b>	<b>28,146</b>	<b>26,737</b>	<b>1,082</b>	<b>1,572</b>
<b>PFI liabilities</b>	<b>4,096</b>	<b>3,677</b>	<b>365</b>	<b>419</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	<b>7,013</b>	<b>4,783</b>
<b>Investments</b>				
<b>Loans and receivables (principal amount)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
+ 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>300</b>	<b>200</b>	<b>7,016</b>	<b>4,738</b>

**Note 1** – 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:

<b>Financial Instruments Gains and Losses</b>				
	2020/21		2021/22	
	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	<b>1,570</b>	<b>0</b>	<b>1,587</b>	<b>0</b>
Interest income in Surplus or Deficit on the Provision of Services	<b>0</b>	<b>2</b>	<b>0</b>	<b>10</b>
Net gain/(loss) for the year	<b>1,570</b>	<b>2</b>	<b>1,587</b>	<b>10</b>

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 21 £000's	Actual 31 March 22 £000's
Less than 1 year	0%	25%	916	1,409
Between 1 and 2 years	0%	30%	1,409	1,383
Between 2 and 5 years	0%	50%	4,183	4,616
Between 5 and 10 years	0%	70%	8,454	8,638
More than 10 years	0%	95%	14,100	12,100
<b>Total</b>			<b>29,062</b>	<b>28,146</b>

The debt portfolio comprises of Salix Funding of £83k, which became payable over a 6 year period commencing 2016/17 and PWLB Equal Installment of Principal (EIP) and Maturity loans, with the average debt rate equating to 3.83%  
Loans outstanding at the balance sheet date comprise £28 million with PWLB and £7k with Salix.

#### **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:

	31 March 2021		31 March 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
£000s				
PWLB debt	29,041	33,895	28,139	30,834
Non-PWLB debt	21	21	7	7
<b>Total debt</b>	<b>29,062</b>	<b>33,916</b>	<b>28,146</b>	<b>30,841</b>

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower 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 2021		31 March 2022
£000		£000
4,826	Central Government Bodies	2,638
1,949	Other Local Authorities*	1,058
0	NHS Bodies	20
23	Public Coperations	0
518	Other Entities and Individuals	1,222
<b>7,316</b>	<b>Total</b>	<b>4,938</b>

\* Includes long term debtors of £300k for 20/21 and £200k for 21/22.

## Note 14 - CASH & CASH EQUIVALENTS

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
3,198	Bank current accounts	7,158
<b>3,198</b>	<b>Total</b>	<b>7,158</b>

## Note 15 - CREDITORS

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
1,163	Central government bodies	1,463
507	Other local authorities	595
13	NHS Bodies	15
716	Public Corporations and Trading Funds	34
1,747	Other Entities and Individuals	1,302
1,582	Receipts in Advance	259
1,285	Accumulated Absences (note 22)	1,115
<b>7,013</b>	<b>Total</b>	<b>4,783</b>

## Note 16 - PROVISIONS

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
38	Part time worker regulations	38
80	Protected pension age (PPA)	0
<b>118</b>	<b>Total</b>	<b>38</b>

### Note 17 - USABLE RESERVES

<b>Balance at 1 April 2020</b>	<b>Transfers Out 2021/22</b>	<b>Transfers In 2021/22</b>	<b>Balance at 31 March 2021</b>		<b>Transfers Out 2021/22</b>	<b>Transfers In 2021/22</b>	<b>Balance at 31 March 2022</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>4,869</b>	0	1,531	<b>6,400</b>	Change Management Reserve	-72	3,927	<b>10,255</b>
<b>500</b>	-100	0	<b>400</b>	Joint Control Lease Reserve	-100	0	<b>300</b>
<b>3,799</b>	-116	0	<b>3,683</b>	PFI Equalisation Reserve	-179	0	<b>3,504</b>
<b>49</b>	-6	0	<b>43</b>	Managed Under Spend Reserve	0	72	<b>115</b>
<b>128</b>	-128	0	<b>0</b>	Compartment Fire Behaviour Training (CFBT) Reserve	0	0	<b>0</b>
<b>74</b>	0	55	<b>129</b>	Capital Receipts	-189	60	<b>0</b>
<b>3,000</b>	-1,314	1,314	<b>3,000</b>	General Fund	-3,827	3,827	<b>3,000</b>
<b>12,419</b>	<b>-1,664</b>	<b>2,900</b>	<b>13,655</b>	<b>Total Usable Reserves</b>	<b>-4,367</b>	<b>7,886</b>	<b>17,174</b>

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

- The revenue under spend and annual lease costs for the Joint Public Service Centre have been transferred to the change management reserve with any projects forecast for completion during 2022/23 transferred to the managed underspend reserve.
- 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.
- £72k has been transferred from the change management reserve to the managed under spend reserve as detailed above.
- Capital receipts are ring fenced to fund capital investment. A further £60k were received during the year with £189k used on 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

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£000</b>		<b>£000</b>
-13,770	Revaluation Reserve (note 19)	-18,492
-26,980	Capital Adjustment Account (note 20)	-26,627
1,021,493	Pensions Reserve (note 21)	987,073
1,285	Accumulated Absence Reserve (note 22)	1,115
<b>982,028</b>	<b>Total Unusable Reserves</b>	<b>943,069</b>

### Note 19 - REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Authority 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.

2020/21 £000		2021/22 £000
-14,017	<b>Balance at 1 April</b>	-13,770
0	Revaluation Adjustment	-5,319
85	Impairment adjustment	420
162	Difference in fair value and historical cost depreciation	177
<u>-13,770</u>	<b>Balance at 31 March</b>	<u>-18,492</u>

## 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 Authority 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.

2020/21 £000	Capital Adjustment Account	2021/22 £000
-27,578	<b>Balance as at 1 April</b>	-26,980
-3,133	MRP (note 30)	-3,066
3,916	Depreciation (net of revaluation)	4,123
0	Revaluation	-627
104	Impairments	702
-203	Capital expenditure financed from revenue resources (CERA) (note 30)	-200
-69	Capital Grants (note 30)	-392
-17	Assets funded from General Fund (note 30)	0
0	Net non-current asset disposal	2
0	Assets funded by Capital Receipts	-189
<u>-26,980</u>		<u>-26,627</u>

## 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 Authority 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 Authority 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 Authority 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>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>911,624</b>	<b>Balance at 1 April</b>	<b>1,021,493</b>
88,470	Remeasurements of the net defined benefit liability (asset)	-60,670
32,739	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	37,525
-11,340	Employer's pensions contributions and direct payments to pensioners payable in the year	-11,275
<b>1,021,493</b>	<b>Balance at 31 March</b>	<b>987,073</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.

<b>2020/21</b>		<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>-837</b>	<b>Balance at 1 April</b>	<b>-1,285</b>
837	Settlement or cancellation of accrual made at the end of the preceding year	1,285
1,285	Amounts accrued at the end of the current year (note 15)	1,115
-448	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)	170
<b>-1,285</b>	<b>Balance at 31 March</b>	<b>-1,115</b>

## Note 23 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

2020/21 £000		2021/22 £000
21,371	<b>Net Deficit on the Provision of Services</b>	23,091
	<b>Adjustments to Net Deficit for Non Cash Movements;</b>	
334	Increases/(Decrease) in stock	-83
3,680	Increase/(Decrease) in debtors	-2,379
-2,065	(Increase)/Decrease in creditors	2,292
-4,182	Depreciation charge (inc impairment)	-4,375
55	Gain on asset disposal	58
-21,399	IAS 19 adjustments	-26,250
-448	Other non cash-items charged to the net deficit on the provision of services	170
-24,025	<b>Less Total</b>	-30,567
	<b>Adjustments for items included in the net deficit on the Provision of Services that are Investing and Financing Activities;</b>	
-1,570	Interest Payable	-1,587
2	Interest Receivable	10
69	Capital Grants	392
-1,499	<b>Less Total</b>	-1,185
-4,153	<b>Net Cash Flow from Operating Activity</b>	-8,661

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

2020/21		2021/22
£000		£000
3,783	Purchase of property, plant and equipment, investment property and intangible assets	2,289
-55	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-60
-69	Capital Grants received	-392
<b>3,659</b>	<b>Net cash (in)/outflow from investing activities</b>	<b>1,837</b>
-5,000	Cash Receipts from short & long term borrowing	0
-9	Other receipts from financing activities	-8
229	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	365
2,416	Repayments of short and long-term borrowing	916
1,560	Other payments for financing activities	1,591
<b>-804</b>	<b>Net cash (in)/outflow from financing activities</b>	<b>2,864</b>

## Note 25 - MEMBERS' ALLOWANCES

During 2021/22, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

2020/21		2021/22
£000		£000
71	Total of members' allowances	69
<b>71</b>	<b>Total</b>	<b>69</b>

The Fire & Rescue Authority comprises 24 councillors from the 10 Local Authorities that combined to form it. All members' expenses were paid as a reimbursement of costs in pursuance of duties.

## Note 26 - OFFICERS' REMUNERATION

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

Title	Year	Salary £000	Expenses £000	*Benefits in Kind £000	Total Excluding Pension £000	Employers Pension £000	Gross remuneration £000
Chief Fire Officer	2021/22	140	0	0	140	38	178
	2020/21	138	0	0	138	38	176
Deputy Chief Officer*	2021/22	106	0	0	106	16	122
	2020/21	105	0	0	105	16	121
Asst Chief Fire Officer Service Delivery (A)	2021/22	105	0	0	105	31	136
	2020/21	104	0	0	104	30	134
Asst Chief Fire Officer Service Delivery (B)*	2021/22	0	0	0	0	0	0
	2020/21	17	0	0	17	5	22
Asst Chief Officer Corporate Services*	2021/22	71	0	2	73	11	84
	2020/21	0	0	0	0	0	0
Asst Chief Fire Officer Technical Services/DCFO*	2021/22	109	0	0	109	29	138
	2020/21	104	0	0	104	28	132
Asst Chief Officer People Services	2021/22	87	0	5	92	13	105
	2020/21	86	0	4	90	13	103
Treasurer	2021/22	28	0	0	28	4	32
	2020/21	28	0	0	28	4	32

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

\* Service Delivery B was temporarily promoted between 27/01/2020 – 31/05/2020 to provide cover for Service Delivery A sick leave. They have no remuneration in 2021/22

\* DCO commenced sickness leave on 07/06/2021 – ACO Corporate Services covered partial duties from 07/06/2021 to present & ACO Technical Services covered DCO duties from 06/09/2021 to present

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

Salary Bracket	Number 2020/21	Number 2021/22
£60,000 to £64,999	15	12
£65,000 to £69,999	8	11
£70,000 to £74,999	0	1
£75,000 to £79,999	3	1
£80,000 to £84,999	0	2
£85,000 to £89,999	3	3
£90,000 to £94,999	0	0
£95,000 to £99,999	0	0
£100,000 to £104,999	0	0
£105,000 to £109,999	3	3
£110,000 to £114,999	0	0
£115,000 to £119,999	0	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	0
£140,000 to £144,999	1	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 does not include employer's pension contributions or arrears of pay. Individuals reported in the above salary brackets are also included in the senior officers' remuneration table above.

The median remuneration across the Service for 2021/22 is £30k and the ratio of the CFO remuneration to the median remuneration is 4.65:1.

For 2020/21 the median remuneration across the Service was £30k and the ratio of the CFO remuneration to the median remuneration is 4.66:1.

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.

#### Note 27 - EXTERNAL AUDIT COSTS

2020/2021 £000		2021/2022 £000
4	Fees / refunds for previous years	0
72	Current year fees paid / due to the Auditor General for Wales	75
<b>76</b>	<b>Total</b>	<b>75</b>

## Note 28 - GRANTS

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

2020/21	Revenue	2021/22
£000		£000
549	Community Risk Reduction (WG)	618
1,263	New Dimensions and USAR Funding (WG)	1,637
140	MTFA (WG)	110
345	Other*	374
632	Fire Link (WG)	632
28	Anti-Social Behaviour	28
19	Natural Resources Wales	0
6	Circular Economy (WG)	4
2,852	SCAPE (WG)	2,950
75	WAST Volunteers	42
557	Covid-19 (WG)	207
68	FF Apprentices	232
3	Cyber Training (WG)	0
2	AFAN Project	14
0	NFCC	12
0	D20, C-19 & Winter Pressures	17
0	Aneurin Bevan UHB	5
0	Cardiff & Vale UHB	6
<b>6,539</b>		<b>6,888</b>
	Capital	
33	NR – USAR Property Build (WG)	308
23	USAR Vehicle (WG)	0
13	Covid – ICT Multimedia (WG)	0
0	NR – Vehicle (WG)	21
0	Energy Efficiency (WG)	63
<b>69</b>		<b>392</b>

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

## Note 29 - RELATED PARTIES

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

### RELATED PARTY TRANSACTIONS

The South Wales Fire and Rescue Authority 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 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, 2022	
	Income	Expenditure	Owed to Authority (Debtor)	Owed by Authority (Creditor)
	£000	£000	£000	£000
Blaenau Gwent CBC	3,482	2	0	0
Bridgend CBC	7,364	0	0	0
Caerphilly CBC	9,099	7	0	0
Cardiff CC	18,374	36	0	0
Merthyr Tydfil CBC	3,040	3	0	0
Monmouthshire CC	4,760	9	0	0
Newport CBC	7,855	8	0	0
Rhondda Cynon Taf CBC	12,117	159	0	4
Torfaen CBC	4,696	5	0	0
The Vale of Glamorgan CBC	6,743	11	0	0
	<b>77,530</b>	<b>240</b>	<b>0</b>	<b>4</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.

Members and senior officers of the Authority 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.

Related Party Organisation	Nature of relationship	No. of transactions	In Year Transactions		Balances Outstanding at 31 <sup>st</sup> March, 2022	
			Income £	Expenditure £	Owed to Authority (Debtor) £	Owed by Authority (Creditor) £
Aneurin Bevan Health Board	FAPM Member-Nominee	14	5,067	57,822	5,067	9,628
Gwent Police	Deputy Chief Officer - Spouse	9	12,000	65,948	0	32,974
Purple Shoots	Deputy Chief Officer - Friend	29	0	2,621	0	218
Smart Signz	Budget Holder – Work Colleague	3	0	4,460	0	0
St.Johns's	Deputy Chief Officer - Spouse	3	0	1,040	0	0
Royal-British Legion	FAPM Member - Membership	1	0	960	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 Authority'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	2020/21		2021/22	
	Joint Operation Total	SWFRS Share	Joint Operation Total	SWFRS Share
<b>Revenue</b>				
Staff Expenditure	2,686	1,611	2,531	1,519
Non-Staff Expenditure	168	84	110	55
<b>Total Expenditure</b>	<b>2,854</b>	<b>1,695</b>	<b>2,641</b>	<b>1,574</b>
<b>Intangible Asset - Command &amp; Control System</b>				
Gross Book Value	308	154	308	154
Accumulated Amortisation	(192)	(96)	(258)	(129)
<b>Net Book Value</b>	<b>116</b>	<b>58</b>	<b>50</b>	<b>25</b>

The authority also has a long-term debtor of £200k and short-term debtor of £100k with South Wales Police in relation to the Joint Public Service Centre.

### Note 30 - CAPITAL EXPENDITURE AND CAPITAL FINANCING

2020/21		2021/22
£000		£000
<b>41,465</b>	<i>Opening Capital Financing Requirement (CFR)</i>	<b>41,630</b>
3,587	Property, Plant and Equipment investment	2,443
<b>3,587</b>	<b>Total Additions</b>	<b>2,443</b>
	<i>Sources of finance</i>	
-69	Government grants and other contributions (note 28)	-392
-17	Sums set aside from revenue (note 20)	0
-203	Direct revenue contributions (note 20)	-200
0	Capital Receipts	-189
-3,133	MRP/loans fund principal (note 20)	-3,066
<b>41,630</b>	<b>Closing Capital Financing Requirement (CFR)</b>	<b>40,226</b>
	<i>Increase in underlying need to borrow</i>	
<b>165</b>	<b>Increase/(Decrease) in CFR</b>	<b>-1,404</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, albeit capital receipts can and will be used.

### Note 31 - FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

2020/21 £000		2021/22 £000
	203 Revenue contribution (note 30)	200
	17 Reserves (note 20)	0
	69 Grant funding (note 28)	392
	3,298 Internal Borrowing	1,662
	0 Capital Receipts	189
<b>3,587</b>	<b>Total</b>	<b>2,443</b>

### Note 32 - CAPITAL COMMITMENTS

The Authority 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 2022 for future periods equates to £5.668m (2020/21: £2.609m). The commitments relate to property refurbishments, and the vehicle, ICT and Equipment programmes.

### Note 33 - PFI.

During 2005/06 financial year, the Authority 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 Authority resources.

The Authority 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 Authority 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 2022, the balance on the PFI equalisation earmarked reserve is £3.504 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		2020/21	2021/22	2022/23	Payable	Payable
		£'000	£'000		2 - 5 years	6 - 10 years
					£'000	£'000
Unitary Charge						
	Service Charge	1,454	1,331	1,334	6,676	5,047
	Interest	451	491	482	1,415	1,273
	Finance Lease	229	365	419	1,385	2,292
		2,134	2,187	2,235	9,476	8,612
Grant Funding		-1,043	-1,004	-965	-3,468	-2,524
Fire Authority Contribution		-975	-1,004	-1,035	-4,462	-4,365
Net contribution to equalisation		116	179	235	1,546	1,723
Equalisation Account						
	O/balance	-3,799	-3,683	-3,504	-3,269	-1,723
		116	179	235	1,546	1,723
	C/balance	-3,683	-3,504	-3,269	-1,723	0
Liability @ 31 March						
	Short Term	365	419	437	586	0
	Long Term	4,096	3,677	3,240	1,706	0
		4,461	4,096	3,677	2,292	0

#### Note 34 - PENSIONS (IAS 19)

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

In 2021/22 the Authority paid employer pension contributions of £1.39 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 2022/23 are estimated to be £1.378 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 2021/22 the Authority paid employer pension contributions of £8.880 million. Pensions paid from revenues equated to £975k. For 2022/23, the employer contribution to the scheme is estimated to be £8.878 million and the current estimate for pensions paid from revenue is £850k. The majority of pension payments to retired Fire Fighters are paid from a separate Pension Fund account administered by the Authority, 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.

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

In accordance with the requirements of International Accounting Standard No 19 – Retirement Benefits (IAS19) the Authority has to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. As explained in 'Accounting Policies', the Authority 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 Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

To comply with IAS19 the Authority 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 Authority. For the Local Government Pension scheme the actuary assessed that the net liability to the Authority as at 31 March 2022 was £24 million (*31 March 2021, £31 million*) and for the Fire Fighters' schemes the liability was £963 million as at 31 March 2022 (*31 March 2021, £990 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 2020/21 for extending the equalisation to all future retirees.

There was also a further court ruling on 20 November 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 the Court of Appeal, the McCloud judgment that was handed in December 2018 concluded that the transitional protections introduced in 2015 were discriminatory on the basis of age. The UK Government subsequently announced plans to address the discrimination across the UK public sector pension schemes including the Firefighters' Pension Scheme. Currently the UK Government is progressing detailed plans to implement the remedy following the consultation undertaken during 2020. Prospective Remedy Legislation was implemented in April 2022, which actioned the closure, for all future accruals, of all legacy schemes and transitioned previously protected active members into the 2015 Reformed Scheme. Retrospective Remedy Legislation is currently being formulated and will need to be enacted by the 1<sup>st</sup> October 2023, at the latest. In July 2021 the Fire Authority approved the payment of Immediate Detriment benefits, for those that are considered Category 1 cases, so those that are current active members and have given their retirement notice to the Service formally. This approach will continue until October 2023, for those that meet the criteria.

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.

2020/21 £000	Movements on Pension Reserve	2021/22 £000
	Income and Expenditure Account	
	<b>Net Cost of Service</b>	
	Current Service Cost	
-22,950	- Fire Fighters	-25,870
-3,090	- Local Government Pension Scheme	-4,520
	Past Service Cost	
0	- Fire Fighters	0
0	- * Local Government Pension Scheme	0
13,811	Top Up Grant	13,335
	<b>Net Operating Expenditure</b>	
	Interest Cost	
-19,930	- Fire Fighters	-19,830
-2,080	- Local Government Pension Scheme	-2,450
	Expected Return on Pension Assets	
0	- Fire Fighters	0
1,500	- Local Government Pension Scheme	1,810
<b>-32,739</b>	<b>Total Post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>-37,525</b>
	Remeasurements of the net defined benefit liability (asset)	
-85,530	- Fire Fighters	50,110
-2,940	- * Local Government Pension Scheme	10,560
<b>-121,209</b>	<b>Total Post-employment benefit (charged)/credited to the C.I.E.S</b>	<b>23,145</b>
	<b>Movement on Reserve Statement</b>	
911,624	Opening Balance 1 April	1,021,493
121,209	Reversal of Net Charges for IAS 19	-23,145
	Actual Amount Charged against the General Fund	
	Balance for pensions in the year	
	Employer Contributions	
-9,295	Fire Fighters	-9,224
-1,390	Local Government Pension Scheme	-1,420
-655	Retirement benefits paid to Fire Fighters	-631
0	Transfers in	0
<b>109,869</b>	<b>Movement on Pension Reserve</b>	<b>-34,420</b>
<b>1,021,493</b>	<b>Closing Balance</b>	<b>987,073</b>

\*The LGPS movements on pension reserve are inclusive of unfunded pension benefits arrangements;  
2021/22 – Interest cost of £10k, actuarial gain of £30k and net benefits paid out £30k

## Pension Schemes – Assets / Liabilities

The Authority's estimated share of assets and liabilities from 31 March 2017 to 31 March 2022 were as follows:

	31 March				
	2018	2019	2020	2021	2022
Estimated share of liabilities in the Fire Fighters' Pension Scheme	-897,550	-947,849	-885,690	-990,340	-962,740
Estimated share of liabilities in the Rhondda Cynon Taff Pension Fund	-85,480	-91,335	-91,164	-117,564	-113,865
<b>Total liabilities</b>	<b>-983,030</b>	<b>-1,039,184</b>	<b>-976,854</b>	<b>-1,107,904</b>	<b>-1,076,605</b>
Share of assets in the Rhondda Cynon Taff Pension Fund	61,120	67,310	65,230	86,411	89,532
<b>Net Pension Deficit</b>	<b>-921,910</b>	<b>-971,874</b>	<b>-911,624</b>	<b>-1,021,493</b>	<b>-987,073</b>

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	
	2021 %	2022 %	2021 %	2022 %
Rate of Inflation; CPI	2.4	3	2.7	3
Rate of increase in Salaries	4.15	4.75	3.95	4.25
Rate of Increase in Pensions	2.4	3	2.7	3
Rate of Discounting Scheme Liabilities	2	2.65	2.1	2.7
Future Life Expectancy at 65 Men				
Current Pensioners	21.4	21.5	21.8	21.6
Future Pensioners	23.1	23.2	22.8	22.6
Women				
Current Pensioners	21.4	21.5	24.1	23.9
Future Pensioners	23.1	23.2	25.6	25.4

## 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)	110.82	115.80
% change in present value of total obligation	-2.2%	2.2%
Projected service cost (£m)	4.04	4.34
Approximate % change in projected service cost	-3.5%	3.6%

### 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)	113.76	112.86
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£m)	4.19	4.19
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts 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)	115.35	111.27
% change in present value of total obligation	1.8%	-1.8%
Projected service cost (£m)	4.34	4.04
Approximate % change in projected service cost	3.6%	-3.5%

### Post retirement mortality assumption

<b>Adjustment to discount rate</b>	<b>-1 year</b>	<b>+1 year</b>
Present value of total obligation (£m)	117.28	109.46
% change in present value of total obligation	3.5%	-3.4%
Projected service cost (£m)	4.36	4.03
Approximate % change in projected service cost	4.0%	-3.9%

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.	-9.0%	-89
Long term rate of increase in salaries +0.5% p.a.	1.5%	15
Rate of increase in pensions / deferred revaluation +0.5% p.a.	7.5%	74
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	3.5%	34

## 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 employers 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>2022</b>	
Equity Investments	67.4
Bonds	24.9
Property	7.3
Cash	0.4
<b>Total</b>	<b>100.0</b>
<b>2021</b>	
Equity Investments	70.7
Bonds	22.1
Property	6.4
Cash	0.8
<b>Total</b>	<b>100.0</b>

The overall return on pension assets was 3.9% for 21/22 (2020/21: 31.9%).

The movement in the pension deficit for the year can be analysed as followed based on the present value of the scheme liabilities.

<b>2020/21 £000 Fire Fighters</b>	<b>2020/21 £000 LGPS</b>	<b>Liabilities</b>	<b>2021/22 £000 Fire Fighters</b>	<b>2021/22 £000 LGPS</b>
<b>-885,690</b>	<b>-91,164</b>	<b>Balance as at 1 April</b>	<b>-990,340</b>	<b>-117,564</b>
-22,950	-3,090	Current Service cost	-25,870	-4,520
-19,930	-2,080	Interest	-19,830	-2,450
-4,300	-590	Contributions by scheme members	-4,290	-610
-85,530	-22,330	Actuarial Gains and Losses	50,110	8,989
28,470	1,690	Benefits Paid	28,480	2,290
0	0	Past Service Cost	0	0
-410	0	Transfers in	-1,000	0
<b>-990,340</b>	<b>-117,564</b>	<b>Pension Liabilities at Year End</b>	<b>-962,740</b>	<b>-113,865</b>

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

<b>2020/21</b>	<b>Assets</b>	<b>2021/22</b>
<b>£000</b>		<b>£000</b>
<b>LGPS</b>		<b>LGPS</b>
<b>65,230</b>	<b>Balance 1 April</b>	<b>86,411</b>
1,500	Return on Pension Assets	1,810
19,390	Actuarial Gain/Losses on Assets	1,571
1,390	Contributions by employer	1,420
590	Contributions by Scheme members	610
-1,689	Net benefits paid out*	-2,290
<b>86,411</b>	<b>Pension Assets at Year End</b>	<b>89,532</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 £30k unfunded pension payments.

#### **Actual return on assets**

	<b>31 March 2021</b>	<b>31 March 2022</b>
	<b>£ Million</b>	<b>£ Million</b>
Interest income on assets	1.50	1.81
Re-measurement gain/ (loss) on assets	19.39	1.57
Actual return on assets	20.89	3.38

#### **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 5 individuals have taken their cases to the Pensions Ombudsman on the Rule B5C changes and also we are currently taking legal advice on whether or not secondary contracts should be considered pensionable and as such included as part of the Local Government Pension Scheme contributions schedule. It is not known at this point whether or not there will be any financial implications to either of these recent developments but it is likely that this will be known during 2022/23.

There are also a number of national issues ongoing in respect of pension schemes and the value of any potential liabilities is yet to be determined. One such case is that of O'Brien, it has been ruled by the courts 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 will necessitate a second options exercise for which legal discussions have commenced, with a public consultation due to be launched during 2023. An exercise to correct this will

commence following the close of the consultation. There will be a financial consequence to the Authority of those wishing to buy historic service, however at this point these costs cannot be anticipated.

Following the Court of Appeal in December 2018, the McCloud judgment concluded that the transitional protections introduced in 2015 were discriminatory on the basis of age.

In July 2021, HM Treasury introduced the Public Service Pensions and Judicial Office's Bill to the house of Lords, setting out how the UK Government plans to address the discrimination across the UK public sector pension schemes including the Firefighters' Pension Scheme. Currently the UK Government is progressing detailed plans to implement the remedy following the consultation undertaken during 2020. Prospective Remedy Legislation was implemented in April 2022, which actioned the closure, for all future accruals, of all legacy schemes and transitioned previously protected active members into the 2015 Reformed Scheme. Retrospective Remedy Legislation is currently being formulated and will need to be enacted by the 1<sup>st</sup> October 2023, at the latest.

In July 2021 the Fire Authority approved the payment of Immediate Detriment benefits, for those that are considered Category 1 cases, so those that are current active members and have given their retirement notice to the Service formally. This approach will continue until legislation is released in October 2023. Following clarification in this legislation the figures will then be revisited which could have financial implications for the Fire Authority.

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.

### **Note 36 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Authority'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 Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movement.

The Authority has adopted the CIPFA Code of Practice on Treasury Management which ensures the Authority 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 Authority has performed during the year. How the Authority 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 Authority will only invest short term, up to a maximum of 12 months, with institutions that are on the Authority's counterparty list. On a daily basis the Authority 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 institution failed to repay an investment then the financial loss to the Authority could be in excess of £1m. However, due to careful management of the portfolio no institutions have failed to repay monies due.

The Authority 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 Authority 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 Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, 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 Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority'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 Authority, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

**Foreign exchange risk** - The Authority 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)

2020/2021		2021/2022
<b>£000</b>	<b>Income to the fund</b>	<b>£000</b>
	Contributions receivable:	
	from employer	
-8,868	normal contributions	-8,880
-427	other contributions	-344
-4,199	from members	-4,200
-105	Past service contributions (retained modified scheme)	-93
<u>-13,599</u>		<u>-13,517</u>
-430	Transfers in from other pension funds	-1,065
<b>-14,029</b>	<b>Total Income to the Fund</b>	<b>-14,582</b>
	<b>Spending by the Fund</b>	
	Benefits Payable:	
21,441	Pension payments	22,140
5,790	Pension commutations and lump-sum retirement benefits	5,511
307	Other Payments	198
<u>27,538</u>		<u>27,849</u>
	Payments to and on account of leavers:	
230	Transfers out to other authorities	0
<u>27,768</u>	<b>Total Spending by the Fund</b>	<u>27,849</u>

<u>13,739</u>	Net amount payable for the year	<u>13,267</u>
-13,739	Annual top up grant receivable from Welsh Government	-13,267
<u>0</u>	Net amount payable for the year	<u>0</u>

## NOTES TO THE FIRE FIGHTERS' PENSION FUND ACCOUNT

The Fund was established 1 April 2007 and covers the 1992, 2006, 2015 and 2016 Retained Modified Fire Fighters' Pension Schemes and is administered by the Authority. The 2015 scheme introduced new contributions rates for both employers and employees and reduced pensioner benefits. On 1<sup>st</sup> April 2016 the retained Modified Pension Scheme was introduced in addition to the original 1992, 2006 and 2015 schemes. 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.

Employee and employer (the Authority) 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 triennial 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

2020/2021 £000	Net Asset Statement	2021/2022 £000
	Current Assets;	
3,224	Top up grant due from Welsh Government	1,142
0	Payments in advance to pensioners	0
0	Amount owed from general fund	0
<u>3,224</u>		<u>1,142</u>
	Current Liabilities;	
0	Top up grant due to Welsh Government	0
0	Commutations due to pensioners	-14
-3,224	Amount owed to general fund	-1,128
<u>0</u>		<u>0</u>

employees who have left the Authority 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 Authority balance sheet. The 2021/22 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 2021/22 a total of 50 (including 5 deferred members) Fire Fighters retired compared to the estimate of 40. At the year end WG was a debtor to the Pension Fund with a value of £1.142 million.

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 Authority's primary statements.

### **Contribution Rates**

Under the Fire Fighters' Pension Regulations the employer contribution rates for the 1992, 2006, 2015 and Retained Modified Schemes were 29.3%, 26.6%, 27.3% and 29.3% respectively. 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.