

Due to the current heightened security level at all our premises, Members are reminded to wear their identity badges whilst attending meetings. Any visitors must produce photographic identification at Reception.

## **FIRE & RESCUE AUTHORITY SUMMONS**

### **SOUTH WALES FIRE & RESCUE AUTHORITY**

You are required to attend a meeting of the Finance, Audit and Performance Management Committee to be held on:

**Monday, 4 December 2023 at 1030 hours**

**In person at South Wales Fire & Rescue Service Headquarters,  
Forest View Business Park, Llantrisant, CF72 8LX**

**or**

**Remotely via Microsoft Teams - <https://bit.ly/FAPM-04-12-23>**

**Please ensure you join the meeting 15 minutes prior to meeting time**

**Any issues please contact  
01443 232000 and ask for Member Services**

### **A G E N D A**

1. Apologies for Absence
2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.

3. Chairperson's Announcements

- |    |   |   |
|----|---|---|
| 4. | To receive the minutes of;  |   |
|    | <ul style="list-style-type: none"> <li>• Finance, Audit &amp; Performance Management Committee held on 18 September 2023</li> </ul> | 5 |

**REPORTS FOR DECISION**

- |    |  |    |
|----|--|----|
| 5. | Revenue Monitoring Report                          | 11 |
| 6. | Capital Monitoring Report                          | 27 |
| 7. | Treasury Management Mid-Term Review Report 2023/24 | 39 |
| 8. | Revenue and Capital Budget Setting Update Report   | 49 |
| 9. | Statement of Accounts 2022/23                      | 61 |

**REPORT FOR INFORMATION**

- |     |  |     |
|-----|--|-----|
| 10. | Internal Audit Progress Report & Audit Action Updates                                  | 187 |
| 11. | Forward Work Programme for Finance, Audit & Performance Management Committee 2023/2024 | 203 |
| 12. | To consider any items of business that the Chairperson deems urgent (Part 1 or 2)      | 209 |

Signature of Monitoring Officer:



## MEMBERSHIP

**Councillors:**

J	Morgan	Blaenau Gwent
P	Ford	Bridgend
C	Wright	Caerphilly
B	Proctor	Cardiff
D	Isaac	Merthyr Tydfil
M	Powell	Monmouthshire
G	Williams	Rhondda Cynon Taf
S	Evans	Torfaen
I	Buckley	Vale of Glamorgan

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**SOUTH WALES FIRE & RESCUE AUTHORITY**

**MINUTES OF THE FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT MEETING  
HELD ON MONDAY 18 SEPTEMBER 2023  
IN THE CONFERENCE ROOM OR REMOTELY VIA TEAMS**

**9. PRESENT:**

**Councillor**

**Left**

S Evans (Chair)	Torfaen
J Morgan (Deputy Chair)	Blaenau Gwent
I Buckley	Vale of Glamorgan
P Ford	Bridgend
M Al Nuaimi	Newport
M Powell	Monmouthshire
G Williams	Rhondda Cynon Taff
C Wright	Caerphilly

**APOLOGIES:**

D Isaac	Merthyr Tydfil
B Proctor	Cardiff
ACO G Thomas	Monitoring Officer

**ABSENT:**

**OFFICERS PRESENT:-** Mrs S Watkins – Deputy Monitoring Officer & Head of Corporate Support, ACFO D Rose – Director of Service Delivery, Mr C Barton – Treasurer, Mrs L Mullan – Temp Head of Finance, Procurement & Property, Mrs H Cargill – TIAA Internal Auditor

**10. DECLARATIONS OF INTEREST**

All Members declared a personal non-prejudicial interest in each agenda item which affected their Authority.

Councillor Evans declared a personal interest in any items which related to New Inn Fire Station.

Councillors Evans and Morgan both declared a personal interest as Members of the Gwent Public Service Board.

## **11. CHAIR'S ANNOUNCEMENTS**

The Chair had no announcements to make.

## **12. MINUTES OF PREVIOUS MEETING**

The minutes of the previous Finance, Audit & Performance Management meeting held on 24 July 2023, were received and accepted as a true record of proceedings.

## **13. REPORTS FOR DECISION**

### **13.1 MEDIUM TERM FINANCIAL STRATEGY AND REVENUE BUDGET UPDATE REPORT**

The Treasurer presented to Members the updated Medium Term Financial Strategy for 2022/2023 to 2026/2027 for approval. It included budget projections based on the Authority's plans and strategies informed by the general financial and operational environment in which services were provided.

The Strategy indicated that the Authority's cost base would continue to increase over the currently approved budget in response to the general inflationary pressures in the UK economy. The cost pressures were compounded by unforeseen under-provision in the current financial year. This would present a challenge to the Fire Authority and potentially to the Service's funding from councils next year.

The Strategy was drawn up in the light of rapidly changing economic projections and few firm resource commitments beyond the current year. This background introduced significant financial risks to the Strategy. Whilst it was tempting to consider the information in the report a worst-case scenario, this was far from reality given the current volatility in the UK economy and public finances.

## **RESOLVED THAT**

Following a question and answer session on issues with Grant Funding from the Welsh Government, Members agreed to note the risks and uncertainties within the projections and approved the Strategy as the basis for financial planning over the Strategy period.

### **13.2 REVENUE MONITORING REPORT 2023/2024**

The temporary Head of Finance & Procurement informed Members that the Revenue Monitoring report provided details of the Annual Revenue Budget and associated information for the year ending 31 March, 2024.

## **RESOLVED THAT**

Following a question and answer session on the possibility of making efficiencies and savings, as well as the overspend on energy costs, Members agreed to note the content of the report.

### **13.3 CAPITAL MONITORING REPORT 2023/2024**

The temporary Head of Finance & Procurement informed Members that the Capital Monitoring report provided details of the Capital Budget, transactions to date, and the forecast year end position for the year ending 31 March, 2024.

## **RESOLVED THAT**

- 13.3.1 Members agreed to note the budget and progress of capital schemes, and approved the alterations identified in Appendix 1 and associated movements in funding.
- 13.3.2 Following a lengthy question and answer session, Officers assured Members that they would continue to monitor the consultancy and legal costs and agreed to circulate a copy of a report on the Raac concrete survey work which had recently been carried out on all premises across the Service.

### **13.4 2022/2023 ANNUAL TREASURY MANAGEMENT REVIEW**

The temporary Head of Finance & Procurement presented a report for Members to review the Treasury Management activities for the year ending 31 March, 2023, in accordance with the Authority's approved Treasury Management Strategy for 2022/2023.

#### **RESOLVED THAT**

13.4.1 Members agreed to recommend to the full Fire & Rescue Authority Committee to note the annual Treasury Management review data for 2022/2023.

13.4.2 Members agreed to recommend to the full Fire & Rescue Authority Committee they approve the actual prudential and treasury indicators set therein.

### **14. REPORTS FOR INFORMATION**

#### **14.1 INTERNAL AUDIT PROGRESS REPORT & AUDIT ACTION UPDATE**

The TIAA Internal Auditor presented a report which updated Members upon progress being made against the Internal Audit Plans for 2022/2023 and 2023/2024.

#### **RESOLVED THAT**

Members agreed to note the internal audit recommendations and work completed to date on the Internal Audit Annual Plan.

#### **14.2 PERFORMANCE MONITORING REPORT**

The ACFO Service Delivery presented the Performance Monitoring report to Members for their information.

#### **RESOLVED THAT**

Following a question and answer session on the stats for Water Rescue and Bariatric incidents compared to other Emergency Services, Members agreed to note the presented report and its contents.



### **14.3 HEALTH CHECK OF PRIORITY ACTIONS AND Q1 PROGRESS AGAINST THE STATUTORY PIs**

The Head of Corporate Support provided Members with a brief overview of the Priority Actions and Quarter 1 progress against the statutory PIs.

#### **RESOLVED THAT**

- 14.3.1 Members agreed to note the presented report and its contents.
- 14.3.2 With reference to the recent introduction of the new 20 mph speed limited in a number of residential areas, and whether it would affect the turn-out times for On-Call firefighters, Officers assured Members that they would continue to monitor the situation over the next twelve months.

### **15. FORWARD WORK PROGRAMME**

The Deputy Monitoring Officer provided Members with the Forward Work Programme for 2023/2024.

#### **RESOLVED THAT**

Members agreed to note the content of the Forward Work Programme for 2023/2024.

### **16. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIR DEEMS URGENT (PART 1 OR 2)**

There were no further items of business to consider that the Chair deemed urgent.

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**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 5  
4 DECEMBER 2023

FINANCE, AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF ASSISTANT CHIEF OFFICER CORPORATE SERVICES

**REVENUE MONITORING REPORT 2023/24****THIS REPORT IS FOR DECISION**REPORT APPROVED BY ASSISTANT CHIEF OFFICER CORPORATE  
SERVICESREPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT &  
PROPERTY**SUMMARY**

The Revenue Monitoring Report provides details of the annual revenue budget and associated information for the year ending 31 March 2024.

**RECOMMENDATIONS**

That the Finance, Audit and Performance Management Committee note and agree the report content.

**1. BACKGROUND**

- 1.1 This report provides an update of the major changes affecting the revenue budget since the Finance, Audit and Performance Management (FAPM) Committee on 18 September 2023.
- 1.2 Appendix 1 details the original budget, a revised budget to reflect authorised virements, transactions to date i.e., actuals, the forecast 31 March position and variance analysis, i.e., the over or under spend. The revenue monitoring report has been presented inclusive of grant transactions for a full financial picture.
- 1.3 Appendix 2 charts the budget variances reported at each FAPM Committee reconciling to the most recent position.
- 1.4 The reserve statement at Appendix 3 presents the forecast, year-end position, and the impact on useable reserves for scrutiny and financial planning purposes.
- 1.5 Appendices 4 and 5 detail grant funded initiatives and the impact on revenue budgets.

## 2. ISSUE / PROPOSAL

- 2.1 A decrease of £342k is forecast to the previously reported overspend of £1.667million, to a revised forecast overspend of £1.325million. This decrease is comprised of a £29k reduction on employee budgets, £104k against all other spending and a further £209k of additional grant funding. Included within these figures is a £166k overspend on grant funded initiatives which is detailed in appendices 4 and 5.
- 2.2 The following narrative highlights the most significant changes.

### 2.2.1 EMPLOYEE COSTS - £29k decreased in overspend

Employee costs have been updated to reflect the agreed pay award for gold book staff along with an estimate for the green book pay award currently mirroring the agreement for 2022/23 which saw an increase of £1,925 across all pay scales, pro-rated for part time staff. Budgeted pay awards were less than those agreed, and members are reminded that pay awards for green book staff are not yet agreed. Any changes in the actual award from this latest forecast will impact forecasts further. The additional increase in pay awards for both those agreed and those currently forecast, are being offset by vacancies across the service.

Pension costs are forecast to increase by £26k. LGPS contributions are forecast to increase by £96k and is largely due to changes in estimated pay award for green book staff. This is offset by a reduction of £70k against FFPF contributions due to forecasts being updated to reflect retirements and leavers to the scheme, along with new members.

Ill health pension costs are currently forecast to be £48k less than budgeted due to costs for the remainder of the year being re-aligned with costs to date. However, it is worth noting that any additional ill health retirements this year will impact on this position.

### 2.2.2 PREMISE COSTS - £147k decrease in overspend

A reduction in repair and maintenance is due to £130k for solar panel replacement costs which are to be Salix funded and are incorporated within the capital monitoring report. National Non-Domestic Rates (NNDR) have been re-aligned as initially budgeted due to charges now confirmed for 2023/24 which were previously estimated.

### 2.2.3 TRAINING COSTS - £16k increase in underspend

£42k reduction in training costs have been identified due to fewer courses planned to be undertaken during 2023/24. This is offset by an increase of £37k within grant funded initiatives for National Resilience as detailed further in the supporting appendices.

#### 2.2.4 **SUPPLIES AND SERVICES - £87k increase in overspend**

The overall overspend against external funding has increased by £44k and is the main factor in the increase in this area. The projected overspend on Home Fire Safety (HFS) equipment has increased by a further £78k and is being offset by decreased spend in other grant funded areas. Overall, HFS equipment is forecast to overspend by £197k, which has been partially offset by a reduction of £52k identified within revenue budgets for the department. Information on this can be found in greater detail in the supporting appendices. The HFS overspend will be reviewed throughout the year for the potential to be offset/covered with any underspending from our Welsh fire counterparts.

Subscription costs have increased due to charges relating to the upgrade of back up equipment that has transferred across and previously incorporated within ICT capital monitoring projections.

#### 2.2.5 **TRANSPORT - £74k increase in underspend**

The most significant driver is a decrease in fuel costs since previous reporting of £49k. This is due to several variables including the introduction of electric service vehicles, a reduction in fuel costs compared to last year along with a reduction in the number of lease cars held across the service. The reduction of lease cars has also seen an additional reduction to forecasted scheme figures of £34k due to fewer leases taken out and / or not renewed.

#### 2.2.6 **CONTRACTED SERVICES - £233k increase in overspend**

The most significant driver of this overspend is a further £172k in relation to associated costs for the Cultural Review process being undertaken by Blake Morgan, which is set to be met from reserves.

HR Consultancy costs have increased by £60k for external investigative work carried out due to unavailable internal resources.

#### 2.2.7 **CAPITAL COSTS - £178k decrease in overspend**

This is due to a reduction in capital financing costs, specifically the minimum revenue provision (MRP) and is a result of a decrease in forecast capital expenditure for the year, see capital monitoring report.

#### 2.2.8 **INCOME - £217k additional**

Additional grant funding of £209k has been confirmed since previous reporting and changes are as follows:

- National Resilience - £9.5k
- Secondments - £0.4k
- FF Apprentices - £246k

which is being offset by:

- USAR – decrease in income of £46.8k

Bank Interest rates have increased further since previously reported however this is offset by a reduction forecast in other areas which includes lease car contributions due to fewer lease cars along with revised forecasts received from MWWFRS in relation to Joint Control costs, for 2023/24, and the projected reimbursement as set out in the collaboration agreement.

### 3. IMPLICATIONS

An overall projected overspend on the revenue budget equating to £1.325million, with £269k to be transferred from reserve funding which has been set aside for agreed identified spend.

#### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

#### 3.2 Regulatory, Strategy and Policy

Legal	No
Financial	Yes
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	Yes
Service Policy	No
National Policy	No

### 3.3 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	Yes

## 4. EVALUATION & CONCLUSION

- 4.1 The overall net revenue expenditure for year is forecast at £93.4million and this includes the costs of running grant funded initiatives. Local Authority funding for the year and grants, equate to £89.4million and £2.7 million respectively, resulting in a £1.325million overspend. £269k has been set aside from reserves funding to support agreed identified spend and is detailed in appendix 2. There are a number of variables that can affect this position and updates will be reported to members throughout the monitoring period.

## 5. RECOMMENDATIONS

- 5.1 That the Finance, Audit and Performance Management Committee note and agree the report content.

<b>Contact Officer:</b>	Name: Lisa Mullan Title: Temp Head of Finance, Property & Procurement	
<b>Background Papers</b>	<b>Date</b>	<b>Source / Contact</b>
Capital Monitoring Report	2023/24	Temp Head of Finance, Property & Procurement

<b>Appendices</b>	
Appendix 1	Revenue Monitoring 2023/24 (04.12.2023)
Appendix 2	Revenue Variances to Date 2023/24 (04.12.2023)
Appendix 3	Reserve Statement 2023/24 (04.12.2023)
Appendix 4	Grant Monitoring Report 2023/24 (04.12.2023)
Appendix 5	Grant Monitoring Report 2023/24 – Table (04.12.2023)

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**REVENUE MONITORING 2023/24**  
**Appendix 1**  
**Revenue Monitoring 2023/24 (04.12.2023)**

SC1:M510OUTH WALES FIRE & RESCUE SERVICE									
BUDGET MONITORING 2023/24									
	Original Budget 2023/24 £	Revised Budget (wired budget) 2023/24 £	Original Revenue Grant Funding 2023/24 £	Total Revenue Budget 2023/24 £	Actual Spend at 20.10.23 £	Revenue Forecast at 31.03.24 £	Over/Under Spend Against Revised Budget	Over/Under Spend %	
<b>Employee Costs</b>									
Salaries, NI & superann.	67,421,592	67,421,592	1,237,393	68,658,985	39,286,914	69,043,560	-384,575	-0.4%	
Pensions (ill health)	856,062	856,062	0	856,062	410,981	928,726	-72,664	-0.1%	
Travel and Subsistence	426,000	426,000	2,225	428,225	145,789	426,673	1,552	0.0%	
<b>Total Employee Costs</b>	<b>68,703,654</b>	<b>68,703,654</b>	<b>1,239,618</b>	<b>69,943,272</b>	<b>39,843,685</b>	<b>70,398,959</b>	<b>-455,687</b>	<b>-0.5%</b>	
<b>Premises Related Expenses</b>	6,336,855	6,344,091	0	6,344,091	3,117,502	7,111,161	-767,070	-0.9%	
<b>Training Expenses</b>	1,776,112	1,772,521	47,805	1,820,326	175,110	1,774,664	45,662	0.1%	
<b>Supplies &amp; Services</b>	5,755,273	5,752,370	1,034,113	6,786,483	4,420,854	6,973,552	-187,069	-0.2%	
<b>Transport Related Expenses</b>	1,619,040	1,619,040	29,285	1,648,325	841,917	1,608,576	39,749	0.0%	
<b>Third Party Payments (Contracted Services)</b>	1,152,085	1,151,343	114,856	1,266,199	897,474	1,642,304	-376,105	-0.4%	
<b>Capital costs / leasing</b>	5,069,223	5,069,223	0	5,069,223	357,038	5,106,522	-37,299	0.0%	
<b>Contingency</b>	0	0	0	0	0	0	0	0.0%	
<b>Total Expenditure</b>	<b>90,412,242</b>	<b>90,412,242</b>	<b>2,465,677</b>	<b>92,877,919</b>	<b>49,653,578</b>	<b>94,615,738</b>	<b>-1,737,819</b>	<b>-1.9%</b>	
<b>Income</b>									
Employee Related	-201,687	-201,687	0	-201,687	-25,171	-103,615	-98,072	-0.1%	
Lease Car Contributions	-100,500	-100,500	0	-100,500	-49,610	-82,526	-17,974	0.0%	
Co-Location Re-imbursement	0	0	0	0	0	0	0	0.0%	
Other Income	-734,576	-734,576	0	-734,576	-652,913	-1,054,229	319,653	0.4%	
<b>Total Income</b>	<b>-1,036,763</b>	<b>-1,036,763</b>	<b>0</b>	<b>-1,036,763</b>	<b>-727,694</b>	<b>-1,240,371</b>	<b>203,607</b>	<b>0.2%</b>	
<b>NET BUDGET / FORECAST 2022/23</b>	<b>89,375,478</b>	<b>89,375,478</b>	<b>2,465,677</b>	<b>91,841,156</b>	<b>48,925,885</b>	<b>93,375,368</b>	<b>-1,534,212</b>	<b>-1.7%</b>	
Local Authority Contributions	-89,375,478	-89,375,478	0	-89,375,478	-52,135,688	-89,375,478	0	0.0%	
External Funding (WG)	-2,465,677	0	-2,465,677	-2,465,677	-906,755	-2,674,794	209,117	0.2%	
<b>OVERALL REVENUE OVER / UNDERSPEND</b>							<b>-1,325,095</b>		
<b>Key</b>									
Overspend									
Underspend									

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**REVENUE MONITORING 2023/24**  
**Appendix 2**  
**Revenue Variances to Date 2023/24 (04.12.2023)**

<b>SOUTH WALES FIRE &amp; RESCUE SERVICE</b>									
<b>REVENUE BUDGET MONITORING 2023/24</b>									
	Original Budget 2023/24 £	Original Revenue Grant Funding 2023/24 £	Revised Overall Budget (inc vired budget) 2023/24 £	FAPM Forecast 18.09.23 £	FAPM Forecast 04.12.23 £	* Variance at FAPM 18.09.23 to Revised Budget	** Variance at FAPM 04.12.23 to FAPM 18.09.23	Cumulative Variances against Revised Budget	Summary on variances previously reported*
<b>Employee Costs</b>									
Salaries, NI & superann.	67,421,592	1,237,393	68,658,985	69,017,017	69,043,560	-358,032	-26,543	-384,575	* Grey Book Pay awards increased to 5% against 3% budgeted Increase to Ill Health retirements against budgeted
	67,421,592	1,237,393	68,658,985	69,017,017	69,043,560	-358,032	-26,543	-384,575	
Pensions (ill health)	856,062	0	856,062	976,782	928,726	-120,719	48,056	-72,664	
Travel and Subsistence	426,000	2,225	428,225	434,468	426,673	-6,243	7,795	1,552	
<b>Total Employee Costs</b>	<b>68,703,654</b>	<b>1,239,618</b>	<b>69,943,272</b>	<b>70,428,267</b>	<b>70,398,959</b>	<b>-484,995</b>	<b>29,308</b>	<b>-455,687</b>	
Premises Related Expenses	6,336,855	0	6,343,896	7,258,090	7,111,161	-914,194	146,928	-767,266	* Increasing energy and Airwave costs due to inflation since budget setting
Training Expenses	1,776,112	47,805	1,820,326	1,790,795	1,774,664	29,531	16,131	45,662	* Reallocation of budget to Supplies & Services
Supplies & Services	5,755,273	1,034,113	6,785,937	6,886,655	6,973,552	-100,718	-86,897	-187,615	* External Funding overspends, budget reallocation and equipment charges to be met from reserves
Transport Related Expenses	1,619,040	29,285	1,648,325	1,683,034	1,608,576	-34,709	74,458	39,749	* Increases to fuel costs since budget setting
Third Party Payments (contracted services)	1,152,085	114,856	1,266,941	1,409,063	1,642,304	-142,123	-233,240	-375,363	* Increase to Consultancy charges, increase to audit charges due to inflation and consultancy charges to be met from reserves in relation to Cultural Review
Capital costs / leasing	5,069,223	0	5,069,223	5,284,425	5,106,522	-215,202	177,903	-37,299	* Increase in MRP forecast in line with capital reporting
Contingency	0	0	0	0	0	0	0	0	
<b>Income</b>	<b>-1,036,763</b>	<b>-2,465,677</b>	<b>-3,502,441</b>	<b>-3,697,674</b>	<b>-3,915,165</b>	<b>195,234</b>	<b>217,491</b>	<b>412,724</b>	* Increase in bank interest rates along with course income offsetting charges within expenditure
<b>CONTRIBUTION BUDGET 2022/2023</b>	<b>89,375,478</b>	<b>0</b>	<b>89,375,478</b>	<b>91,042,654</b>	<b>90,700,573</b>	<b>-1,667,176</b>	<b>342,081</b>	<b>-1,325,095</b>	
<b>Key</b>									
 Overspend									
 Underspend									
* Comments for the latest FAPM will be included in detail in the report attached									

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**REVENUE MONITORING 2023/24**  
**Appendix 3**  
**Reserve Statement 2023/24 (04.12.2023)**

Reserve	Purpose and Control	Balance at year start	Transfers in and (out)	Balance at year end	Variations arising between budgeted and actual levels of reserves
<b>General</b>	To cover general financial risks including council funding, grants, inflation and interest.	-3,000,000	0	-3,000,000	
<b>Managed under spends</b>	To meet costs associated with rolling programmes of expenditure incomplete at year end. Controlled via routine budget monitoring procedures.	-141,021	97,375	-43,646	Spending against carry forward requests within revenue
<b>Change Management</b>	Costs of change arising from 'Shaping our 'Future' programme, investment in change projects to improve service and / or reduce spend.	-3,094,370	-97,375 0 -171,909 1,225,095	-2,138,558	Carry forward reserves transferred from Managed Under Spends Equipment renewals spending transferred from reserve Cultural Review spending transferred from reserve Revenue overspend and transfer of annual joint control lease costs
<b>Cultural Review</b>	To meet costs across the service as part of the Independent Cultural Review process.	-340,000	171,909	-168,092	Cultural Review spending within revenue
<b>Carbon Reduction</b>	Costs to achieve aims set out in the Carbon Delivery Plan 2020-2030.	-3,000,000	0	-3,000,000	Carbon Reduction spending within revenue
<b>Equality, Diversity &amp; Inclusion</b>	Costs to support the framework to promote in-house equality, diversity and good practice.	-2,000,000	0	-2,000,000	EDI spending within revenue
<b>Equipment Renewals</b>	To level out cost variances in the required annual provisions for replacement.	-2,000,000	0	-2,000,000	Equipment renewals spending within revenue
<b>PFI Equalisation</b>	To meet future costs of the Training Centre PFI project	-3,191,623	285,777	-2,905,846	Current figures which may change slightly with indexation
<b>Capital Receipts</b>	To meet costs of the capital programme. Reserve applied as receipts are generated	0	-66 66	0	All capital receipts received in year will be used to fund capital expenditure
<b>Joint Control Lease Reserve</b>	To meet the lease costs over an eight year period (from 2017/18)	-200,000	100,000	-100,000	Annual Joint Control lease costs
	<b>TOTAL</b>	<b>-16,967,013</b>	<b>1,610,872</b>	<b>-15,356,141</b>	

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**REVENUE MONITORING 2023/24**  
**Appendix 4**  
**Grant Monitoring Report 2023/24 (04.12.2023)**

## **1. BACKGROUND**

- 1.1 This report presents an update of the major changes affecting the grant budget since the last FAPM report in September 2023. It comprises of any variances in overspends along with any increases in funding since previously reported.

## **2. ISSUES**

- 2.1 Since previously reported any changes to individual projects are summarised below:

### **2.1.1 ARSON REDUCTION - £21.3k increase in underspend**

The Community Safety department have been unsuccessful in securing a Police Sergeant from South Wales Police, resulting in a further reduction in spends of £17.5k. A request has since been submitted for the secondment to be offered to Police Constables, with the expectation there will be a healthy level of interest.

Less than anticipated patrols were carried out during the summer months and honorarium payments have been reduced by one member of staff, which has seen a reduction in forecasted spends of £3.8k.

### **2.1.2 HFS STOCK - £78k increase in overspend**

As the financial year progresses it is apparent that there is an increased requirement in attending vulnerable / hard of hearing home safety visits, which have a greater cost attached to them.

The Community Safety department are expecting these types of home safety visits to incline throughout the year and have therefore increased forecasts to reflect this, with an increase in budget of £78k.

Albeit not guaranteed, there is the possibility of using any underspends on an all-Wales basis. An application for additional 'in-year' funding will be submitted to Welsh Government at a later date, both of which have the potential of covering some overspends in HFS stock.

### **2.1.3 YOUTH - £1.5k increase in overspend**

Forecasted salary costs, to include an anticipated backdated pay award, have increased by £1k.

Collectively training, supplies and services and transport related costs have increased forecasts by £0.5k.

### **2.1.4 INNOVATIONS & DIVERSIFICATION - £4k increase in overspend**

Costs for the Occupational Therapist secondment have inflated in line with a recent pay award, increasing the forecasted costs by £4k.

#### 2.1.5 **ANTI-SOCIAL BEHAVIOUR - £2.6k - decrease in underspend**

Following a period of vacancy, the position of the Anti-Social Behaviour practitioner has been filled, reducing the forecasted underspends by £2.6k.

#### 2.1.6 **NATIONAL RESILIENCE (NR) - £10k increase in overspend**

Underspends within areas of NR has increased the potential for further training courses to be run, therefore increasing not only forecasted course costs by £37k but also salary related costs by £14.1k. NR have also received additional income of £9.5k in relation to course contribution, to offset against these costs.

Transport related costs have also increased by £0.8k.

The forecasted LTCM fixed charges have reduced by £32.4k due to the agreed omission of FLA kits.

#### 2.1.7 **USAR - £33k increase in underspend**

Forecasts for the USAR Station Manager post have reduced by £46.8k due to the position being filled by a member of Mid and West Wales FRS' USAR team. A reduction in income of £46.8k, due to the above, has also been reported.

Costs for USAR salaries including Technician posts being filled by MWWFRS personnel have reduced the projections by a further £33.6k and planned overtime has increased forecasting by £5k.

Underspends in forecasts for supplies and services including costs in relation to PPE uplift has collectively reduced the forecasting by £4.4k.

#### 2.1.8 **£209.1k - Increase in income**

Since last reported, there has been an increase in forecasted income for the whole year in the following areas, the majority being employee cost related:

- National Resilience - £9.5k
- Secondments - £0.4k
- FF Apprentices - £246k

The above being offset by:

- USAR – decrease in income of £46.8k

The above grant funding is monitored on a quarterly basis with any changes reported to members throughout the year.

### **3. FINANCIAL IMPLICATIONS**

Overall, there is a projected overspend on grants equating to £166k which will be charged to revenue.



**REVENUE MONITORING 2023/24**  
**Appendix 5**  
**Grant Monitoring Report 2023/24 – Table (04.12.2023)**

SOUTH WALES FIRE & RESCUE SERVICE REVENUE GRANT REPORTING 2023/24								
	ARSON REDUCTION	HFS STOCK	YOUTH	INNOVATIONS & DIVERSIFICATION	ANTI SOCIAL BEHAVIOUR	NATIONAL RESILIENCE	MTA	USAR
<b>Employee Costs</b>								
Salaries, NI & superann.	31,318	0	114,725	0	36,233	329,064	89,540	243,570
Travel & Subs	0	0	0	0	65	6,502	951	98
<b>Premises Related Expenses</b>	0	0	0	0	0	0	0	0
<b>Training Expenses</b>	7,560	0	60	0	0	76,386	0	0
<b>Supplies &amp; Services</b>	223	526,605	9,768	0	0	570,614	425	28,103
<b>Transport Related Expenses</b>	10,000	0	9,530	0	0	3,833	3,619	3,584
<b>Third Party Payments (Contracted Services)</b>	17,526	0	0	64,163	0	0	0	0
<b>Total Expenditure</b>	<b>66,627</b>	<b>526,605</b>	<b>134,083</b>	<b>64,163</b>	<b>36,298</b>	<b>986,399</b>	<b>94,535</b>	<b>275,355</b>
<b>Other/Additional Income</b>	0	0	0	0	0	-9,534	0	46,760
<b>Grant Income</b>	<b>-107,748</b>	<b>-329,900</b>	<b>-116,355</b>	<b>-60,000</b>	<b>-40,085</b>	<b>-966,776</b>	<b>-94,238</b>	<b>-355,165</b>
<b>(Under)/Overspend to be transferred to Revenue</b>	<b>-41,121</b>	<b>196,705</b>	<b>17,728</b>	<b>4,163</b>	<b>-3,787</b>	<b>10,090</b>	<b>297</b>	<b>-33,049</b>

	FBU	NRW	MERSEYSIDE FRS	NFCC	HAFOD	CIRCULAR ECONOMY	FF APPRENT	CYBER TRAINING	TRAINING LAPTOPS	Total
<b>Employee Costs</b>										
Salaries, NI & superann.	49,251	44,329	63,431	55,330	27,483	0	351,242	0	0	1,435,515
Travel & Subs	0	0	287	102	0	0	0	0	0	8,005
<b>Premises Related Expenses</b>	0	0	0	0	0	0	0	0	0	0
<b>Training Expenses</b>	0	0	0	0	0	0	0	600	0	84,606
<b>Supplies &amp; Services</b>	0	0	0	0	0	16,202	0	0	45,000	1,196,941
<b>Transport Related Expenses</b>	0	0	3,453	0	0	0	0	0	0	34,020
<b>Third Party Payments (Contracted Services)</b>	0	0	0	0	0	0	0	0	0	81,690
<b>Total Expenditure</b>	<b>49,251</b>	<b>44,329</b>	<b>67,172</b>	<b>55,432</b>	<b>27,483</b>	<b>16,202</b>	<b>351,242</b>	<b>600</b>	<b>45,000</b>	<b>2,840,777</b>
<b>Other/Additional Income</b>	<b>-47</b>	<b>-631</b>	<b>256</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-245,922</b>	<b>0</b>	<b>0</b>	<b>-209,117</b>
<b>Grant Income</b>	<b>-49,204</b>	<b>-43,699</b>	<b>-67,428</b>	<b>-55,432</b>	<b>-12,526</b>	<b>-16,202</b>	<b>-105,320</b>	<b>-600</b>	<b>-45,000</b>	<b>-2,465,678</b>
<b>(Under)/Overspend to be transferred to Revenue</b>	<b>-0</b>	<b>-0</b>	<b>-0</b>	<b>0</b>	<b>14,957</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>165,982</b>

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**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 6  
4 DECEMBER 2023

FINANCE, AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE ASSISTANT CHIEF OFFICER CORPORATE SERVICES

**CAPITAL MONITORING REPORT 2023/24****THIS REPORT IS FOR DECISION**REPORT APPROVED BY ASSISTANT CHIEF OFFICER CORPORATE  
SERVICES, GERAINT THOMASREPORT PRESENTED BY TEMPORARY HEAD OF FINANCE,  
PROCUREMENT & PROPERTY, LISA MULLAN**SUMMARY**

The Capital Monitoring Report provides details of the capital budget, transactions to date and the forecast year end position for the year ending 31 March 2024.

**RECOMMENDATIONS**

That Members note the budget and progress of capital schemes, approve alterations identified in appendix 1 and associated movements in funding.

**1. BACKGROUND**

- 1.1 This report provides an update of the major changes affecting the capital budget since the Finance, Audit and Performance Management (FAPM) Committee on 24th July 2023.
- 1.2 Appendix 1 illustrates budget information and funding analysis for all approved capital investment plans for the current financial year. Longer time horizons are expected for capital investment schemes, this often results in budgets being phased over more than one financial year and this is referred to as slippage.
- 1.3 In summary, Appendix 1 presents the total budget (2022/23 slippage + 2023/24 budget) of £16.5 million, set against this is the forecast outturn position, budget overspend and slippage as £10.6 million, £1.7 million and £7.6 million respectively.
- 1.4 Appendix 2 details grant funded initiatives and the impact these have on the capital budget and associated funding streams.

- 1.5 Below a detailed narrative supports the above position and a funding analysis provides information on how we intend to finance the investment.

## 2. BUDGET HEADINGS

### 2.1 Property

- 2.1.1 The overall budget for the year is £10.3million, forecast expenditure and budget slippage are £3m million and £7.6m respectively. A net overspend of £316k is driven by a number of schemes, the largest of these being the Pontyclun station refurbishment (£90k) and the Solar Panels project (£130k). The overspend is to be partially funded (£176k) by grant and Salix funding.

More detail on individual schemes is provided below;

- 2.1.2 **New Inn Station - £1.8m decrease**  
The purchase of land at a new site did not materialise and plans are in place to develop the current site. The forecast has decreased to reflect costs incurred during this financial year and these will be for design and the set up of the temporary site to house crews when the construction phase commences in April 2024.
- 2.1.3 **Monmouth Station (co-location) - £994k decrease**  
This is a co-location project with Gwent Police and WAST. Discussions are ongoing around designs and costings before a decision is made as to whether all partners are onboard. As a decision is yet to be made the work will not commence this financial year and so the forecast is for fees only.
- 2.1.4 **Pontyclun Site - £90k increase**  
Demolition of the smokehouse, drill tower and portacabins started 30<sup>th</sup> October and will continue for 5 weeks. This is part of a package works being run through the Pontyclun Stakeholder Group, set up for oversight of the various functions of the site and to synchronise property related projects for each stakeholder's benefit. The forecast has increased by £90k for this and the temporary work required to relocate the station gym into the garage bay area, install a sustainable storage facility for major projects run by Operations Risk Management (ORM) team and meet the permanent needs of the needs of the Breathing Apparatus (BA) team. This is a segway into the redevelopment of

Pontyclun fire station itself, the planning part of which is scheduled for the end of the 2024/25 financial year.

- 2.1.5 **Penarth Station - £125k decrease**  
The forecast for the refurbishment of Penarth station is largely made up of design fees and the set up of a temporary building to ensure business continuity. Buildings works will now start in 2024/25 which has resulted in £125k slipping into next year.
- 2.1.6 **On-call Station Project - £1.7m decrease**  
Work at Pontycymer is almost complete with a final snagging list being compiled and addressed. Completion at Treorchy station has been delayed by a further 2 months and with additional cost due to the discovery of asbestos in the building although this is still expected to complete in this financial year. Works at Gilfach Goch station are due to commence before the end of this financial year. This project is still on track to complete 2 station sites per financial year, there are 9 stations in total indicating a 4.5 year time horizon, i.e. project completion in 2028/29.
- 2.1.7 **Planned and Preventative - £40k increase**  
This heading mainly covers the station towers project that has been on-going over the last couple of years. Roath tower works have now been completed and Maindee is expected to be completed later this year. The need to overclad the roof at Aberdare station has been added to the forecast during the year and is accountable for the overspend.
- 2.1.8 **Equality, Diversity & Inclusion (ED&I) - £100k decrease**  
Continuing the work that commenced in 2022/23, this project aims to address ED&I issues on wholtime duty stations (WDS) to allow all genders and abilities to work and visit inclusively. This project prioritises gender related aspects of our WDS buildings before accessibility and this relates purely to recruitment plans. Consequently, we are concentrating on reforming open dormitories into private rooms, which has been completed for Roath, is ongoing at Whitchurch and designs have been commissioned for Duffryn fire station. Subsequent phases of this projection will address hygiene facilities such as showers and toilets. Debate and discussions are ongoing as to whether this later aspect should be gender specific or neutral with the intention to provide a completely private provision for either choice. A programme of engagement is planned to help determine this and as such, £100k has slipped into next year to continue the project plan.

## 2.2 Vehicle Replacement Programme (VRP)

- 2.2.1 The overall budget equates to £5m, forecast expenditure is £5.6m, with no slippage currently forecast. A net overspend of £563k is largely due to the £365k increase in the cost of Water ladders and light utility 4 wheel drives. There are less significant overspends in other areas the largest of these relates to the purchase of DIM and USAR vehicles which are wholly grant funded.
- 2.2.2 **Wildfire Unit - £28k decrease**  
Tender is currently out for 4 vehicles which are expected to be delivered before the end of this financial year and should be within budget.
- 2.2.3 **Water Carrier - £100k increase**  
The tender for this project has been completed and the responses have shown that prices have risen since the budget was submitted. This has increased the forecast by £100k.
- 2.2.4 **Rescue Boat - £10k increase**  
No order has been placed yet due to discussions continuing to determine the specification needed. Research has led to an updated forecast of £40k which is a £10k increase on previously expected costs.
- 2.2.5 **Detection Identification Monitoring (DIM) vehicle (grant funded) - £84k increase**  
Since last reporting grant funding has been secured for a replacement 4-wheel drive. This is to be fully funded by Welsh Government.

## 2.3 Operational Equipment

- 2.3.1 The overall budget equates to £240k, forecast expenditure is £763k with an overspend of £523k. The majority of this will be offset by £398k of grant funding.
- 2.3.2 **RTC Cutting/Rescue Tender Equipment - £29k increase**  
This budget is slippage from the 2022/23 budget and as previously reported the returned tender costs were greater more than the initial budget submission. The remaining equipment has been delivered since the last report and this project is completed.

- 2.3.3 MTA Equipment (**grant funded**) - **£330k increase**  
Grant funding was initially acquired for the purchase of MTA manikins however a further £330k has been acquired to fund a number of high value pieces of equipment including various substance identification units.

## 2.4 ICT Equipment

- 2.4.1 The overall budget is £554k and forecast spend is £496k resulting in a £58k underspend. This underspend is largely due to changes to the Backup Replacement System following the tender process.

- 2.4.2 Backup Replacement System - **£80k decrease**  
Following the completion of the tender process it was found that the most suitable supplier offered a back up system on a subscription basis which is revenue expenditure. This has resulted in a decrease of £80k in the forecast and an increase of £37k have been added to the Revenue forecast to be paid annually over 4 years.

## 2.5 Joint Control (**co-location**) - **£37k increase**

This budget relates to the Vision Hardware Refresh at our shared Joint Public Service Centre. The costs of this project are to be split 50/50 with MWWFRS with £329k to be recharged. The increase in forecast since last reporting is due to retention which was due to be paid in 2024/25 being paid in this financial year due to the delivery and stability of the system being achieved faster than anticipated.

## 3 IMPLICATIONS

- 3.1 Appendix 1 illustrates current capital spending plans for the year and how this differs from the original budget.

A forecast spend of £10.6m and slippage of £7.6m result in a net £1.7m overspend. This overspend is to be offset by £586k grant funding, £339k income from co-location partners, £130k Salix funding and £81k of underspends. The remaining £635k is to be funded as part of the capital financing set out in appendix 1. This is analysed below.

<b>CAPITAL SCHEME</b>	<b>Over spend</b>	<b>Under spend</b>	<b>Additional Funding</b>	<b>Report Variances</b>
PONTYCLUN	-90			-90
MONMOUTH (co-location)	-10		10	0
PLANNED AND PREVENTATIVE	-40			-40
WHITCHURCH USAR (grant funded)	-46		46	0
SOLAR PANELS (grant funded)	-130		130	0
TRUCK (SLIDE DECK / CRANE)	-47			-47
WATER LADDERS	-155			-155
LIGHT UTILITY 4WD	-210			-210
RESCUE BOAT	-10			-10
LADDERS		1		1
DIM VEHICLE (grant funded)	-84		84	0
USAR VEHICLES (grant funded)	-58		58	0
RTC CUTTING/RESCUE TENDER EQUIPMENT	-124			-124
MTA EQUIPMENT (grant funded)	-358		358	0
USAR BIO-DIESEL UPGRADE (grant funded)	-40		40	0
CORE SWITCH REPLACEMENT	-22			-22
BACKUP REPLACEMENT SYSTEM		80		80
JOINT CONTROL (co-location)	-347		329	-18
<b>TOTAL</b>	<b>-1,772</b>	<b>81</b>	<b>1,055</b>	<b>-635</b>

### 3.2 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

### 3.3 Regulatory, Strategy and Policy

Legal	No
Financial	Yes
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No



### 3.4 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	Yes

## 4. EVALUATION & CONCLUSION

- 4.1 The total capital investment for the year is forecast at £10.6m and will be largely funded through borrowing, grants, Salix funding, a revenue contribution and capital receipts.

## 5. RECOMMENDATIONS

- 5.1 That Members note the budget and progress of capital schemes, approve alterations identified in appendix 1 and associated movements in funding.

<b>Contact Officer:</b>	Lisa Mullan Temporary Head of Finance, Property & Procurement	
<b>Background Papers</b>	<b>Date</b>	<b>Source / Contact</b>
Revenue Monitoring Report	2023/24	Temp Head of Finance, Property & Procurement

<b>Appendices</b>	
Appendix 1	Capital Monitoring 2023/24 (04.12.2023)
Appendix 2	Grant Monitoring Report 2023/24 - Capital (04.12.2023)

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**CAPITAL MONITORING 2023/24**  
**Appendix 1**  
**Capital Monitoring 2023/24 (04.12.2023)**

CAPITAL PROGRAMME 2023/24								APPENDIX 1
	Project Total £000	SLIPPAGE B/F 2022/23 £000	2023/24 BUDGET £000	ACTUAL AS AT 19.10.23 £000	COMMITTED AS AT 19.10.23 £000	OUTTURN POSITION 31.03.24 £000	BUDGET UNDER/ OVER/ SPEND £000	SLIPPAGE C/F 2024/25 £000
<b>PROPERTY</b>								
<b>STATION REFURBISHMENTS</b>								
MONMOUTH (co-location scheme)	600	338	0	12	12	20	-10	328
NEW INN	3,800	1,848	4,000	283	100	500	0	5,348
PONTYCLUN	1,100	10	0	0	0	100	-90	0
PENARTH	3,250	25	250	10	0	150	0	125
ON-CALL (OCDS) STATION PROJECT	1,850	1,210	2,000	978	228	1,500	0	1,710
PLANNED & PREVENTATIVE MAINT	0	58	200	188	110	298	-40	0
EQUALITY, DIVERSITY & INCLUSION	0	0	400	63	101	300	0	100
WHITCHURCH USAR (grant funded)	0	0	0	23	0	46	-46	0
SOLAR PANELS (salix funded)	130	0	0	6	7	130	-130	0
	<b>10,730</b>	<b>3,489</b>	<b>6,850</b>	<b>1,564</b>	<b>558</b>	<b>3,044</b>	<b>-316</b>	<b>7,611</b>
<b>VEHICLES</b>								
TRUCK (SLIDE DECK / CRANE)	150	150		72	125	197	-47	0
WATER LADDERS	3,692	1,697	1,995	1,859	1,988	3,847	-155	0
VAN/OPS ESTATE CAR	257	73	184	0	0	257	0	0
LIGHT UTILITY 4WD	250	240	250	0	0	700	-210	0
NON OP 4WD	1	26	1	27	0	27	0	0
WILDFIRE UNIT	100	0	100	0	0	100	0	0
RESCUE BOAT	30	0	30	0	0	40	-10	0
WATER CARRIER	200	0	200	0	0	200	0	0
LADDERS	95	0	95	94	0	94	1	0
Detection Identification Monitoring (DIM) vehicles (grant funded)	84	0	0	0	0	84	-84	0
USAR VEHICLES (grant funded)	60	0	0	54	0	58	-58	0
	<b>4,919</b>	<b>2,186</b>	<b>2,855</b>	<b>2,106</b>	<b>2,112</b>	<b>5,604</b>	<b>-563</b>	<b>0</b>
<b>EQUIPMENT</b>								
RTC CUTTING/RESCUE TENDER EQUIPMENT	300	240	0	364	0	364	-124	0
MTA EQUIPMENT (grant funded)	358	0	0	0	0	358	-358	0
USAR BIO-DIESEL UPGRADE (grant funded)	40	0	0	0	0	40	-40	0
	<b>698</b>	<b>240</b>	<b>0</b>	<b>364</b>	<b>0</b>	<b>763</b>	<b>-523</b>	<b>0</b>
<b>ICT</b>								
WIRELESS LAN CONTROLLERS	80	27	0	24	0	27	0	0
END USER COMPUTER REPLACEMENT	450	0	150	23	0	150	0	0
BACKUP REPLACEMENT SYSTEM	30	0	80	0	0	0	80	0
CORE SWITCH REPLACEMENT	130	123	0	145	0	145	-22	0
SERVERS AND STORAGE REPLACEMENT	150	27	0	0	0	27	0	0
SERVER SOFTWARE UPGRADE	150	7	0	0	0	7	0	0
WIRELESS ACCESS POINTS	40	0	140	42	49	140	0	0
	<b>1,030</b>	<b>184</b>	<b>370</b>	<b>234</b>	<b>49</b>	<b>496</b>	<b>58</b>	<b>0</b>
JOINT CONTROL (co-location)	675	0	310	0	643	657	-347	0
<b>TOTAL</b>	<b>17,377</b>	<b>6,099</b>	<b>10,385</b>	<b>4,269</b>	<b>3,363</b>	<b>10,563</b>	<b>-1,691</b>	<b>7,611</b>
<b>FUNDING ANALYSIS</b>								
BORROWING						9,242		
CO-LOCATION CONTRIBUTIONS						339		
REVENUE CONTRIBUTION						200		
REVENUE RESERVES						0		
CAPITAL GRANT						586		
SALIX FUNDING						130		
CAPITAL RECEIPTS						66		
						<b>10,563</b>		

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**CAPITAL MONITORING 2023/24**  
**Appendix 2**  
**Grant Monitoring Report 2023/24 – Capital (04.12.2023)**

	NATIONAL RESILIENCE
<b><u>Vehicles</u></b>	
<i>USAR Bob Cat Replacement</i>	57,515
<i>DIM vehicle replacement</i>	84,000
<b><u>Equipment</u></b>	
<i>MTA Training Manikins</i>	28,496
<i>Bio-Diesel Upgrade</i>	39,500
<i>DIM equipment uplift</i>	330,000
<b><u>Property</u></b>	
<i>USAR property development</i>	22,564
<i>USAR Solar Panels</i>	23,500
<b>Income</b>	<b>-168,000</b>
<b>Additional Income</b>	<b>-414,000</b>
<b>(Under)/Overspend</b>	<b>3,575</b>

\*To be absorbed by underspends on an All Wales basis.

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**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 7  
4 DECEMBER 2023

FINANCE, AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TREASURER

**TREASURY MANAGEMENT MID-TERM REVIEW REPORT 2023/24****THIS REPORT IS FOR DECISION**

REPORT APPROVED BY THE TREASURER

REPORT PRESENTED BY CHRIS BARTON, TREASURER

**SUMMARY**

The Treasury Management Mid-Term Review Report provides an update on the Authority's treasury activities for the period 1 April – 30 September 2023.

**RECOMMENDATION**

The Finance, Audit and Performance Management (FAPM) Committee is asked to recommend the following to the full Fire Authority:

- Note the report and the treasury activity therein.

**1. BACKGROUND**

- 1.1 The Fire & Rescue Authority approved the Treasury Management Strategy Statement (TMSS) for 2020/21 on 13 March 2023. The TMSS sets out the reporting framework for monitoring performance and compliance of treasury management activities.
- 1.2 This report contains indicators and information for the 6 months leading up to 30 September 2023. Treasury procedures and reporting are intended to limit the Authority's exposure to unforeseen and unbudgeted financial consequences and to ensure that treasury management activity has been conducted in accordance with legislation and the agreed strategy.

**2. ISSUE**

- 2.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

- 2.2 The primary requirements of the Code are as follows:
- 2.2.1 Creation and maintenance of a Treasury Management Policy Statement (TMSS) which sets out the policies and objectives of the Authority's treasury management activities.
- 2.2.2 Creation and maintenance of Treasury Management Practices which set out the way the Authority will seek to achieve those policies and objectives.
- 2.2.3 Receipt by the full Authority of;
- An annual TMSS to include the Annual Investment Strategy (AIS) and Minimum Revenue Provision (MRP) Policy for the year ahead;
  - A Mid-year Review Report (this report), and
  - An Annual Report, (stewardship report), covering activities during the previous year.
- 2.2.4 Delegation by the Authority of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- 2.2.5 Delegation by the Authority of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Authority the delegated body is the Finance, Audit & Performance Management (FAPM) Committee.
- 2.3 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
  - The Authority's capital expenditure and how these plans are financed
  - The impact of the changes in capital expenditure plans on prudential / treasury indicators and limits and the underlying need to borrow;
  - A review of the Authority's investment portfolio;
  - A review of the Authority's borrowing strategy;
- 2.3.1 Appendix 1 provides an economic update for the 6 months leading up to the 30 September in addition to forecast information to inform treasury activities.

### **3. TREASURY MANAGEMENT STRATEGY STATEMENT UPDATE**

- 3.1 There are no policy changes to report and a review of the indicators and limits are set out in the below tables.



<b>Capital, Prudential and Treasury Indicators</b>	<b>2023/24</b>	<b>2023/24</b>
	<b>TMSS</b>	<b>Mid-year Review</b>
Opening CFR	46,478	40,226
<b>Capital Spending</b>	<b>14,861</b>	<b>10,563</b>
CERA	-200	-200
Partner Contribution to Capital		-339
Capital Receipts		-66
Capital Grant		-586
Revenue Reserves		
<b>Borrowing requirement for the year</b>	<b>14,661</b>	<b>9,373</b>
<b>Repayment of Debt</b>		
MRP	-4,163	-3,822
MRP on PFI	-437	-437
<b>Closing CFR</b>	<b>56,538</b>	<b>45,339</b>
Movement in closing CFR	10,060	5,113
Gross Borrowing at 1 April	26,737	26,737
New Borrowing	10,000	6,000
Loan Repayments	-1,383	-1,383
Gross Borrowing at 31 March	35,355	31,354
Investments/Deposits at 1 April	-1,000	-2,163
Investments/Deposits at 31 March	-2,058	-1,000
Net borrowing at 1 April	25,737	24,574
Net borrowing at 31 March	33,297	30,354
Other long term liabilities i.e. PFI	3,242	3,242
Gross Debt	38,596	34,596
<b>Under/Over borrowed (Gross Debt vs CFR)</b>	<b>17,942</b>	<b>10,744</b>
Movement in OLTL from year to year	-437	-437

<b>Operational Boundary;</b>	<b>TMSS</b>	<b>Mid-year</b>
Debt	57,000	Unchanged
Other long term liabilities	3,500	Unchanged
Total	60,500	Unchanged
<b>Authorised limit</b>		
Debt	58,000	Unchanged
Other long term liabilities	3,500	Unchanged
Total	61,500	Unchanged
<b>Affordability:</b>		
Ratio of Financing costs to Revenue	5.78%	6.03%

Operational limit	9%	Unchanged
Authorised limit	10%	Unchanged
<b>Bank / current rates</b>		
Lloyds	0%	5.15%
Barclays		4.95%

The ratio of financing costs to revenue has marginally exceeded the estimated figure by 0.25% as a result of an increase in MRP charges, as opposed to increased interest rates in the period.

3.2 SWFRS bank rates track the Bank of England (BoE) base rate with an adjustment of -0.10% and -0.30% for Lloyds and Barclays accounts respectively. The current BoE rate is 5.25% and the last increase of 0.25% was announced 3 August 2023, and the rate has been maintained since.

The following provides an overview the borrowing position for the Service;

<b>Borrowing/External Debt</b>	<b>22/23</b>	<b>23/24</b>
<b>PWLB</b>		
Opening Principal	28,138,845	26,736,946
New Borrowing	0	6,000,000
EIP Principal Repaid	-401,899	-382,819
Maturity Principal Repaid	-1,000,000	-1,000,000
Closing Principal	26,736,946	31,354,127
<b>Non PWLB/Salix</b>		
Opening Principal	6,917	0
New Borrowing	0	0
EIP Principal Repaid	0	0
Maturity Principal Repaid	-6,917	0
Closing Principal	0	0
<b>Total</b>		
Opening Principal	28,145,762	26,736,946
New Borrowing	0	6,000,000
EIP Principal Repaid	-401,899	-382,819
Maturity Principal Repaid	-1,006,917	-1,000,000
Closing Principal	26,736,946	31,354,127
<b>Total principal paid</b>	<b>-1,408,816</b>	<b>-1,382,819</b>

A breakdown of principal amounts outstanding, i.e. loans, for the beginning and end of the current financial year is provided below, together with applicable rates, interest payable for the year and loans type.

Original Principal (£)	Rate (%)	Principal OS 31/03/2023	Interest Charge 2023/24	Principal 2023/24	Principal OS 31/03/2024	EIP/MATURITY
954,000	4.75	19,080.00	237.13	19,080.00	0.00	EIP
1,031,000	4.375	1,031,000.00	45,106.26	0.00	1,031,000.00	MATURITY
1,042,000	4.875	1,042,000.00	50,797.50	0.00	1,042,000.00	MATURITY
750,000	5.25	750,000.00	39,482.88	0.00	750,000.00	MATURITY
702,000	4.875	702,000.00	34,316.26	0.00	702,000.00	MATURITY
1,500,000	4.75	240,000.00	10,687.50	60,000.00	180,000.00	EIP
536,000	4.4	107,200.00	4,266.44	21,440.00	85,760.00	EIP
1,488,000	4.3	297,600.00	12,156.96	59,520.00	238,080.00	EIP
1,773,000	5.25	451,941.02	22,814.34	69,529.41	382,411.61	EIP
3,678,000	4.35	996,125.00	40,176.33	153,250.00	842,875.00	EIP
2,000,000	4.55	2,000,000.00	91,000.00	0.00	2,000,000.00	MATURITY
4,100,000	4.41	4,100,000.00	181,305.37	0.00	4,100,000.00	MATURITY
2,000,000	4.62	2,000,000.00	92,146.85	0.00	2,000,000.00	MATURITY
1,000,000	4.42	1,000,000.00	14,955.34	1,000,000.00	0.00	MATURITY
1,000,000	3.41	1,000,000.00	34,193.42	0.00	1,000,000.00	MATURITY
1,000,000	3.57	1,000,000.00	35,797.81	0.00	1,000,000.00	MATURITY
2,000,000	4.23	2,000,000.00	84,368.22	0.00	2,000,000.00	MATURITY
2,000,000	4.26	2,000,000.00	84,966.58	0.00	2,000,000.00	MATURITY
1,000,000	4.28	1,000,000.00	42,682.74	0.00	1,000,000.00	MATURITY
1,000,000	1.27	1,000,000.00	12,734.79	0.00	1,000,000.00	MATURITY
2,000,000	1.02	2,000,000.00	20,455.89	0.00	2,000,000.00	MATURITY
2,000,000	1.32	2,000,000.00	26,472.33	0.00	2,000,000.00	MATURITY
<b>34,554,000.00</b>		<b>26,736,946.02</b>	<b>981,120.93</b>	<b>1,382,819.41</b>	<b>25,354,126.61</b>	

\*EIP: Equal instalment of principle - payments throughout the term (life) of the loan.

\*Maturity – loans are paid when the term of borrowing has expired

New borrowing will be drawn in the last quarter of the current financial year if the current capital investment forecasts are realised and if Firefighter retirements outstrip the pension grant provided by Welsh Government (WG), the difference to be paid or recouped in the following year.

3.3 The following deposits were held at each month end for the first 6 months of this financial year;

		<b>Average Month End Balances</b>			
		<b>Barclays £</b>	<b>Lloyds £</b>	<b>Total £</b>	<b>interest rate</b>
1	MTH01	10,012,880	7,932,403	17,945,283	4.25
2	MTH02	9,999,000	7,814,381	17,813,381	4.50
3	MTH03	3,613,045	7,016,066	10,629,111	5.00
4	MTH04	2,184,768	7,031,929	9,216,698	5.00
5	MTH05	50	8,287,210	8,287,260	5.25
6	MTH06	3,750,250	4,623,819	8,374,069	5.25

There was an average monthly balance of £12 million at an average rate of 4.88%. £338k has been received in the first 6 months of this financial year which exceeds the £334k estimated for the full year in the TMSS.

In addition, 2 fixed term deposits were undertaken of £2m and £3m each for terms of 1 and 3 months respectively. The Service has received £45k in interest in consequence of these deposits.

### 3.4 Narrative Update

3.4.1 There are no major changes since the strategy has been set other than the level borrowing required which has reduced from £10 to £6 million.

3.4.2 A key indicator is how the CFR compares to the borrowing position. Borrowing should remain below the CFR limit, at least in the medium to long term and this position is described as either under or over borrowed. This indicator helps ensure borrowing is undertaken for capital purposes only. The above table indicates the Authority anticipates continuing with it's under borrowed position of £10.7million for the year.

3.4.3 It is a statutory duty for the Authority to determine and keep under review the affordable borrowing limits and indicators. During the half year ended 30<sup>th</sup> September 2023, the Authority has operated within the indicators set out in the TMSS 2023/24. The Treasurer reports that no difficulties are envisaged for the current or future years in complying with these indicators and that the approved limits within the Annual Investment Strategy (AIS) were not breached during the period. All treasury management operations have also been conducted in compliance with the Authority's Treasury Management Practices (TMP's).

### 3.5 Interest Rate Forecasts

3.5.1 The Authority's treasury advisor, Link Group, provided the following forecasts 30<sup>th</sup> October 2023.

Bank Rate														
	NOW	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.25%	5.25%	5.25%	5.25%	5.00%	4.50%	4.00%	3.50%	3.00%	2.75%	2.75%	2.75%	2.75%	2.75%
Capital Economics	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	4.75%	4.25%	3.75%	3.25%	3.00%	-	-	-
5yr PWLB Rate														
	NOW	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.21%	5.10%	5.00%	4.90%	4.70%	4.40%	4.20%	4.00%	3.90%	3.70%	3.70%	3.60%	3.60%	3.50%
Capital Economics	5.21%	5.20%	5.10%	4.90%	4.80%	4.60%	4.40%	4.30%	4.10%	4.00%	3.80%	-	-	-
10yr PWLB Rate														
	NOW	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.34%	5.00%	4.90%	4.80%	4.60%	4.40%	4.20%	4.00%	3.80%	3.70%	3.60%	3.60%	3.50%	3.50%
Capital Economics	5.34%	5.10%	4.80%	4.70%	4.60%	4.50%	4.30%	4.20%	4.10%	4.00%	3.80%	-	-	-
25yr PWLB Rate														
	NOW	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.77%	5.40%	5.20%	5.10%	4.90%	4.70%	4.40%	4.30%	4.10%	4.00%	3.90%	3.80%	3.80%	3.80%
Capital Economics	5.77%	5.50%	5.10%	5.00%	4.90%	4.80%	4.60%	4.50%	4.40%	4.30%	4.10%	-	-	-
50yr PWLB Rate														
	NOW	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
Link Group	5.53%	5.20%	5.00%	4.90%	4.70%	4.50%	4.20%	4.10%	3.90%	3.80%	3.70%	3.60%	3.60%	3.60%
Capital Economics	5.53%	5.00%	4.90%	4.80%	4.70%	4.60%	4.50%	4.40%	4.30%	4.20%	4.00%	-	-	-

3.5.2 The table sets out a view that both short term interest rates will remain elevated as the Bank of England seeks to squeeze inflation out of the economy.

This means using temporary/short term borrowing to support the capital financing requirement and seeking longer term capital finance/loans when current interest rates fall back.

#### 4. FINANCIAL IMPLICATIONS

4.1 The financial implications of treasury activities have been factored into the Authority's budgeting and reporting processes.

#### 5. IMPLICATION

## 5.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

## 5.2 Regulatory, Strategy and Policy

Legal	No
Financial	Yes
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No

## 5.3 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	Yes

## 6. RECOMMENDATION

6.1 The Finance, Audit & Performance Management (FAPM) Committee is asked to recommend the following to the full Fire Authority:

- Note the report and the treasury activity therein.

<b>Contact Officer:</b>	Chris Barton, Treasurer
<b>Background Papers</b>	<ul style="list-style-type: none"><li>- TMSS 23/24</li><li>- TM Outturn Report 22/23</li><li>- Revenue / Capital Monitoring Report</li><li>- Link Service Information</li></ul>

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**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 8  
4 DECEMBER 2023

FINANCE, AUDIT AND PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TREASURER

**REVENUE BUDGET UPDATE REPORT****THIS REPORT IS FOR DECISION**REPORT APPROVED BY TREASURER  
PRESENTING OFFICER, TREASURER**SUMMARY**

This report presents the updated position regarding preparations for the setting of the 2024/25 revenue budget. It includes revised projections based on the Authority's plans and strategies, the Medium Term Financial Strategy approved in September and work carried out by officers following the previous meetings of this Committee, the Scrutiny Committee and the Fire Authority.

The report provides context and identifies potential options for budget setting considering the Authority's increasing cost base, pressure on the current financial year's budget and the likely challenges faced by the constituent councils in funding the Service next year.

The report identifies significant financial risks in setting the budget both in the short and medium term.

**RECOMMENDATIONS**

1. That Members note the financial risks within the report and recommend a 5.8% increase in budget to the Fire Authority as the basis of consultation.

**1. BACKGROUND**

- 1.1 The Authority approved a Medium-Term Financial Strategy (MTFS) in September. This report provides an update on key matters within the budget for 2024/25, work that has been progressed according to the requests made by the FAPM and Scrutiny Committees and outlines the options for setting next year's budget.

- 1.2 The Authority follows appropriate Codes of Practice in managing its finances including the maintenance of an MTFS underpinned by its Treasury Management Strategy. The Authority's latest external audit report confirms that its governance, reporting and financial management arrangements are appropriate and functioning well.
- 1.3 As a public sector body with a substantial workforce, inflationary cost pressures bear heavily on our budget. One of the key decisions for the Authority will be to accurately estimate pay inflation for next year and beyond.
- 1.4 Few firm forward financial plans have been released by central government whether nationally or regionally in the wake of the current cost of living crisis. Forward planning with any accurate assessment of external factors is therefore very challenging. Commentary by Welsh Government Ministers has referenced the limited funding available for public services both in this year and next. Indications from Welsh Government are that the next budget round will be extremely challenging and that no new resources are expected from Westminster.
- 1.5 There is an ongoing discussion with Welsh Government regarding the broadening of the role of firefighters but currently, no clear parameters exist to base assumptions on. This work is therefore not factored into any budget proposals at this time.

## **2. ISSUE / PROPOSAL**

- 2.1 FAPM is asked to consider the appropriate level of budget for 2024/25 considering the risks and unknowns facing the service.

## **2.2 LOCAL GOVERNMENT SETTLEMENT**

2.2.1 In recent years, the Welsh Government has started to increase resources within the local government settlement. Welsh Government indicated in its current year settlement that resources for councils in Wales could increase by 3.1% for 2024/25. This is generally regarded to be significantly less than the cost pressures faced by local government.

2.2.1 In previous years, the Fire Authority has been informed of the consistent pattern of increases in local taxation which assists in budget setting for council services which includes fire and rescue services. Council tax yield has typically increased by an average of between 4% and 5%. Council Tax still accounts for around one quarter of their net revenue to fund services.

- 2.2.2 Depending on council tax decisions, these resources combined could see average net revenue spending in councils rise by around 3.5%.

## **2.3 WELSH GOVERNMENT FUNDING**

- 2.3.1 The Authority relies on several streams of Welsh Government funding to support its budget. As in previous years, no forward commitment has been given to support these key income streams. Pension costs, National Resilience and community safety activities all rely heavily on this grant funding, this lack of long-term commitment represents a risk to the Authority. Including pensions and PFI grant, the funding amounts to around £20m per annum, the equivalent of approximately 22% of the contributions budget.
- 2.3.2 In the current year, Welsh Government terminated its support for FireLink (the Airwave emergency communications system) resulting in a withdrawal of £600k of funding citing the case that such costs were part of the operational service delivery of the Authority. There is a risk that other grant cuts may follow.
- 2.3.3 In 2023/24, Welsh Government transferred pensions (SCAPE) grant into the general local government settlement. There is a wider initiative underway within central government to reduce specific grants and thus reduce administration costs. Whether this will further impact grant funding for Fire in 2024/25 is not known. What is known is that there is another SCAPE rate adjustment coming in 2024/25 and this budget report is built on the premise that whatever the size of the adjustment, it will come with additional funding for councils which will make it cost neutral.
- 2.3.4 There are several other matters regarding pensions which could affect costs and these are discussed later in this report.
- 2.3.5 Whether or not grants for community safety or national resilience work will continue is not clear. Welsh Government are not publishing their budget until the day after Fire Authority in December. Any announcements will therefore not be available until after the consultation budget is set. Should there be cuts, the Fire Authority will need to consider its response.
- 2.3.6 In most years, Welsh Government provides a cash flat grant profile. This of course represents real terms cuts as costs have significantly increased. Likely pay inflation in 2024/25 will again erode the value of those grants which remain.

## **2.4 BASE BUDGET CONSIDERATIONS IN THE MTFS (SEPT 2023)**

- 2.4.1 There are two fundamental issues with the base budget going forward. Firstly, there is under-provision within the current year arising from unforeseen inflationary pressures. Budget monitoring elsewhere on this Committee agenda indicates a significant overspend is likely. Secondly, there is continued inflationary pressure in 2024/25 on top of planned expenditure requirements contained within budget submissions for the coming financial year. Each of these is outlined in the following paragraphs.
- 2.4.2 The most significant part of the Authority's budget is employee costs representing around 75% of spend. The previous MTFS was drawn up based on long term average pay awards of 1.5% per annum, however, this assumption was varied in the short term to reflect the extraordinary levels of inflation being witnessed in the UK economy. The Authority has faced a turbulent period in its budget setting resulting mainly from inflation. In setting the 2023/24 budget it was necessary to estimate pay awards for the 2022/23 year and the 2023/24 as pay negotiations were still ongoing.
- 2.4.3 Recent green book (support staff) pay settlements represented an increase of around 7%. Whilst inflation is now falling, trade unions have been pushing for continued pay awards at or near inflation rates to make up for the impact of the 'cost of living' crisis. The Authority's current year budget will be under significant additional pressure. The 2023/24 budget was based on a 3% provision but the recently accepted offer of a fixed rate increase of £1,925 pa is more akin to a 7% increase. The difference in likely pay inflation in the current year amounts to around £400k.
- 2.4.4 Grey book (uniformed staff) costs also increased substantially following acceptance of a two year pay award of 7% and 5%. Whilst this offers certainty for the current year, the 5% exceeded the 3% the Authority budgets for, resulting in an increased cost of up to £900k.
- 2.4.5 Pay inflation for 2024/25 again must be estimated in this uncertain economic climate. 1.5% already seems too optimistic, therefore a 3% provision has been modelled in the MTFS for the coming year. This amounts to £2.8m. Whilst inflation rates have started to fall in the UK (4.6% in October), the speed with which they will come down remains uncertain.
- 2.4.6 In total therefore, the base pay budget would increase by some £4.2m, around 4.7% increase on the contributions budget.

- 2.4.7 Further pressures and complications exist in the employee budget due to a variety of legal actions ongoing regarding the Firefighters' Pension Fund. Successful national legal challenges resulted in firefighters being given the option to return to their legacy pension schemes resulting in potentially higher costs and / or compensation. Due to the complexity of the cases involved and the time taken to frame new legislation, it is difficult to accurately assess any impact on the Fire Authority. New legislation was enacted in October 2023 which will start to bring clarity to the situation. This is however further compounded by a second buy back exercise for on-call firefighters and an ongoing pension scheme valuation which is attempting to assess the impact of the resolution of these cases.
- 2.4.8 Each year, the employee budget is built up based on the full establishment as approved by the Fire Authority. In approving the budget last year, staff savings were assumed from a combination of vacancy provisions and reserve funding.
- 2.4.9 The Premises budget is once again under pressure from inflationary increases mainly in energy costs. When setting the budget for the current year, estimates were made on unit costs for both gas and electricity, however, these have been surpassed and have created a significant in year budget pressure of £800k. Contracts linked to RPI are subject to significant increases from the prevailing inflationary conditions in the economy and the budget for Premises is modelled to increase by £900k or 14% next year.
- 2.4.10 ICT costs are increasing by RPI in licences and support fees (£300k). Essential operational equipment is included in next year's budget (£350k), however, in accordance with the budget plan last year, some of these costs will be funded from Reserves. Other supplies budgets reflect inflationary increases or reductions according to planned activities, but where inflation is applied, we anticipate higher increases than normal resulting from current RPI levels. The Authority's insurance cover was re-tendered and costs came in lower than anticipated resulting in savings (£200k). Overall, Supplies costs are expected to increase by around £900k or 14% next year.

2.4.11 Transport costs continue to be targeted for reductions by reducing vehicle movements and reducing the use of fossil fuels across the fleet. The introduction of electric vehicles and cleaner diesel vehicles will underpin this trend, however, fossil fuel costs are still increasing which is used extensively by the Services heavy fleet of emergency response vehicles. There is an in-year budget pressure of £80k for fuel and overall, the budget is expected to increase by £110k or 7% next year.

2.4.12 Capital financing costs are historically assumed to increase annually at 4%pa reflecting the approved capital programme (with cost inflation built in). The overall exposure to these costs is monitored through the Authority's Treasury Management Strategy.

Recent interest rate rises do not directly impact the Authority's budget as much of its debt is long term, however, there is a general upward pressure on interest costs as maturing loans are replaced. There are opportunities to increase returns on invested cash, but this will depend on the Treasury Management policy from year to year. Generally, the avoidance of borrowing is still more cost effective than investing. In setting this budget, the Authority takes a prudent view of its capital programme completion rate which in the past has shown an aspirational trend. A reassessment of both the Minimum Revenue Provision (MRP) and borrowing costs / income means an increase year on year of £600k or 11% for next year.

2.4.13 Based on the above assessment, the MTFs approved in September showed an increase in budget next year of 7.8%.

## **2.5 CHANGES SINCE THE MTFs AND WORK ON MITIGATION**

2.5.1 The Authority has been working with North Wales FRS and Mid & Wales FRS to arrive at broadly consistent planning assumptions. All three FRSs are also working with the WLGA to communicate to Welsh Government the scale of cost pressures across Wales for this and next year. Our initial planning work shows a consistent pattern of budget pressures across Wales supporting the basic construction of the MTFs.

2.5.2 Since the MTFs was completed, a review of the following has been undertaken

- the assumptions underpinning the budget
- the bids submitted by service areas
- options for funding costs other than from the base budget and

- savings that can be secured both this and next year

2.5.3 The key downward adjustments to the MTFS projection are summarised in the table below.

<b>Budget Adjustment</b>	<b>£000</b>	<b>Notes</b>
Vacancy provision	459	Based on historical records and latest budget monitoring analysis. No direct action is proposed to restrict recruitment in areas such as on-call firefighters
Staff costs funded from Reserves	249	Temporary posts with determined end dates plus residual cost of Job Evaluation
Growth bids deferred or funded from savings in existing budgets	443	Re-assessment of bids to prioritise expenditure
One off equipment renewals and other one off project costs funded from reserves	570	Equipment replacement reserve created in 2022/23 for this purpose together with the use of Invest to Save Reserve
Savings in capital financing costs through re-profiling capital spend	328	Changes to timing of capital programme spend avoiding deletion or significant stoppage to the programme
<b>Total reductions</b>	<b>2,049</b>	

2.5.4 Inevitably, there are also some upward adjustments identified as part of this work. Some of these have arisen to facilitate the reductions above with others arising from emerging external factors. The table below outlines the background to the increases.

<b>Budget Adjustment</b>	<b>£000</b>	<b>Notes</b>
Home Fire Safety	70	In previous years, the Home Fire Safety budget has benefitted from the redistribution of underutilised Welsh Government grants. This is unlikely in the current and future years. As a result, to maintain the current level of risk based home fire safety activity, additional provision is required. Currently the Service installs Carbon Monoxide detectors in homes where risk is identified, this costs an additional £100k to do so.

		Officers are exploring other funding streams for this hardware.
Auxiliary Control Operations	80	The Service has been considering the extent to which it needs provision for auxiliary fire control operators in the same way that it has for firefighters during periods of industrial action. Based on the absence of clear direction regarding the Strikes (Minimum Service Levels) Act in Wales, additional provision is required for the Authority to meet its statutory duty at times of industrial disputes.
Firefighter Pensions	112	Revaluation of the firefighter pension scheme indicates that Employer's costs could increase from 27.3% to 31% next year. The majority of this 3.7% increase relates to changes in the Scape Rate (1.4%) and liabilities arising from the O'Brien case (2%). Assuming that external funding will be passed from central government to fund the bulk of the costs, the net increase in the budget would be £112k (0.3%). If however this funding were passed through the local government settlement (as Scape was last year), the gross increase in the Fire budget would be £1.378m with £1.266m increased grant to constituent councils.
<b>Total increases</b>	<b>262</b>	

2.5.5 The increase in the budget for next year including these reductions and increases would be 5.8%. It is pertinent to note that if the pensions grant funding above is directed to the constituent authorities, this 5.8% like for like increase will show as a 7.2% headline increase but will not be at an increased costs to our constituent Councils.

## 2.6 CONSULTATION BUDGET

2.6.1 Following consideration of the MTFs within the Service, through the Scrutiny Committee and through the initial Constituent Council consultation meetings, one theme has consistently emerged and that is the availability of usable reserves and the extent to which the Fire Authority could deploy these reserves to mitigate or smooth any budget increases.



2.6.2 The Authority must be particularly mindful of the availability, commitment and sustainability of usable reserves in accordance with the Financial Management Code. The following table summarises the position of usable revenue reserves considering known and projected commitments together with those items discussed in paragraph 2.5 of this report.

<b>Reserve</b>	<b>Balance 31/3/23 £000</b>	<b>Use 23/24 £000</b>	<b>Balance 31/3/24 £000</b>	<b>Use 24/25 £000</b>	<b>Balance 31/3/25 £000</b>
General	3,000	-	3,000		3,000
General reserves equate to 3.4% of revenue budget					
Change Management	3,094	(1,325)	1,769	(226)	1,543
Required to fund forecast overspend in 23/24 plus budget reductions in 24/25					
Cultural Review	340	(340)	0	-	0
Fully committed to meet known liabilities.					
Carbon Reduction	3,000	-	3,000	-	3,000
Reserve maintained to fund projects as identified.					
Equality, Diversity & Inclusion	2,000	-	2,000	-	2,000
Reserve maintained to fund projects as identified.					
Equipment Renewals	2,000	(289)	1,711	(570)	1,141
Reserve used to fund equipment renewals and one off costs avoiding impact on revenue budget.					
PFI Equalisation	3,192	(287)	2,905	(322)	2,583
Fully committed to match reductions in grant v expenditure to mitigate impact on revenue budget.					
Managed Underspends	141	(141)	0	-	0
Fully committed to meet known liabilities.					
Joint Control Lease	200	(100)	100	(100)	0
Fully committed to meet known liabilities.					
<b>Total</b>	<b>16,967</b>	<b>(2,482)</b>	<b>14,485</b>	<b>(1,218)</b>	<b>13,267</b>

2.6.3 Should the Authority be minded to utilise reserves to mitigate or smooth the increase in budgets, it would have to put in place a plan to remove the ongoing use of reserves. This could be through the identification and delivery of savings or increases in the base budget in future years or a combination of both.

2.6.4 For illustrative purposes only, each 1% reduction in the budget increase would require the use of £894k in reserves.

2.6.5 This report forms the basis of a decision on the Fire Authority's consultation budget to be taken at the December meeting of the Fire Authority. The final decision on the budget will be taken at the February meeting of Fire Authority.

## 2.7 POPULATION CHANGES

2.7.1 The basis of distribution of the contributions budget amongst the constituent councils is the population of each area. The figures for the distribution are those published by Welsh Government in the Local Government Distribution Settlement formula. Unfortunately, the delay in this year's Welsh Government Budget means that it is not possible to model the impact of the proposed consultation budget on individual councils at this time.

## 2.8 RISKS

2.8.1 The detail of the report highlights some of the financial risks in Setting the budget for next year. It is important to highlight those key risks for Members when they consider the appropriate consultation budget. These risks are

- The level of inflation for the coming year, in particular pay increases
- The uncertainty of Welsh Government grant funding
- The projected in year overspend which will be met from reserves
- The need to set a sustainable budget beyond 2024/25
- Failure to identify and / or deliver identified savings

## 3. IMPLICATIONS

### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Well-Being Of Future Generations (Wales) Act	No
Socio Economic Duty	No
Sustainability / Environment / Carbon Reduction	Yes
Safeguarding	No
Consultation and Communications	Yes
Consultation with Representative Bodies	No
Impact Assessment	No

3.1.1 The MTFs includes assumptions of savings derived from Carbon Reduction initiatives.

3.1.2 The MTFs includes budget projections that will form the basis of consultation with the ten constituent authorities.

### 3.2 Regulatory, Strategy and Policy

Legal	No
Financial	Yes
Procurement	No
Corporate Risk	No
Information Management	No
Data Protection / Privacy	No
Health, Safety and Wellbeing	No
Governance & Audit	No
Service Policy	No
National Policy	No

3.2.1 The MTFS includes detailed plans of the Authorities finances and is prepared in compliance with several regulatory Codes of Practice.

### 3.3 Resources, Assets and Delivery

Human Resources and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	Yes

3.3.1 The MTFS forms the basis of the revenue and capital budget Planning for the coming financial year.

## 4 EVALUATION & CONCLUSIONS

- 4.1 Following extensive work undertaken by officers in reviewing the basis of the MTFS and options for achieving reductions, a like for like budget increase of 5.8% is projected.
- 4.2 Lowering the budget further would require the temporary use of revenue reserves and commitment to the development of a sustainable and deliverable plan to address future budget levels acknowledging any consequential impacts on service delivery.
- 4.3 There are significant risks associated with the delivery of both the current year outturn and next year's budget.

## 5 RECOMMENDATIONS

- 5.1 That Members note the financial risks within the report and recommend a 5.8% increase in budget to the Fire Authority as the basis of consultation.

<b>Contact Officer:</b>	Chris Barton Treasurer
<b>Background Papers</b>	None

**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN****SOUTH WALES FIRE & RESCUE AUTHORITY**AGENDA ITEM NO 9  
4 DECEMBER 2023

FINANCE, AUDIT &amp; PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE TREASURER

**STATEMENT OF ACCOUNTS 2022/23****THIS REPORT IS FOR DECISION**

REPORT APPROVED BY ASSISTANT CHIEF OFFICER CORPORATE SERVICES

REPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT &amp; PROPERTY

**SUMMARY**

The Appointed Auditor is required to give his opinion on the financial statements for the year ended 31 March 2023. This report considers the statutory ISA260 report, the final audited statement of accounts and the letter of representation.

As the audit concludes, the documents currently being finalised will be circulated to Members electronically prior to FAPM meeting.

**RECOMMENDATIONS**

That Members receive the ISA 260 report of the Appointed Auditor and note the letter of representation contained therein.

That Members note the audited Statement of Accounts (provided electronically).

**1. BACKGROUND**

- 1.1 The Treasurer to the South Wales Fire & Rescue Authority is responsible for the preparation of the statutory financial statements and information contained within the annual Statement of Account according to accepted accounting practices.
- 1.2 The Auditor General is also required to give an opinion on whether the financial statements of the Authority and the Fire Fighters Pension Fund

Account give a true and fair view of the financial position as at 31 March 2023, and its income and expenditure for the year then ended.

## **2. ISSUE**

- 2.1 The Treasurer approved the draft Statement of Accounts for 2022/23 on 31 May 2023, and these have been subject to the external audit process during June and October.
- 2.2 The draft Statement of Accounts for 2022/23 was presented at this meeting on 24<sup>th</sup> July 2023 prior to the completion of the audit process.
- 2.3 The audit has now been substantially completed by Audit Wales (AW) as the appointed auditors and their statutory ISA 260 report is finalised and attached for Members to receive. This is the final audit of accounts report and is where the auditors' draw attention to corrected and uncorrected misstatements in addition to areas of uncertainty and risk as part of their reporting to 'those charged with governance'.
- 2.4 The audited Statement of Accounts will be published on the Authority's website following FAPM approval and Chair, Treasurer, Chief Fire Officer and Auditor endorsement.
- 2.5 The overall opinion of the auditor is favourable and their intention is to issue an 'unqualified' audit report. The alternative is a 'qualified' audit opinion which is when the auditor has material concerns about aspects of the accounts, although this does not apply. The unqualified opinion is in no small measure down to the significant amount of work undertaken by the accountancy staff of the Fire & Rescue Service, together with support from the AW team.
- 2.6 It is normal practice for the Auditor to require a letter of representation from the Authority. A draft of this letter is contained within the ISA 260 report and certified by the Treasurer and Chair of the Fire Authority.

## **3. FINANCIAL IMPLICATIONS**

- 3.1 Whilst there have been changes made to the draft financial statements, these do not affect the overall financial position of the Fire & Rescue Authority and as a result there are no financial implications arising directly from this report.

## **4. RECOMMENDATIONS**

- 4.1 That Members receive the ISA260 report of the Appointed Auditor and note the letter of representation contained therein.

4.2 That Members note the audited Statement of Accounts (provided electronically).

<b>Contact Officer:</b>	Lisa Mullan, Temp Head of Finance, Procurement & Property
<b>Background Papers</b>	Statement of Accounts 2022-23 AW ISA260 Report Proposed Report of the Auditor General to the South Wales Fire & Authority Letter of Representation

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# **SOUTH WALES FIRE AND RESCUE AUTHORITY**



## **STATEMENT OF ACCOUNTS**

**2022/2023**

## Table of Contents

NARRATIVE REPORT .....	3
STATEMENT OF RESPONSIBILITIES.....	10
ANNUAL GOVERNANCE STATEMENT YEAR ENDING MARCH 2023.....	11
AUDITOR'S REPORT.....	48
COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES).....	53
MOVEMENT IN RESERVES STATEMENT (MiRS).....	54
BALANCE SHEET .....	56
CASH FLOW STATEMENT .....	57
ACCOUNTING POLICIES .....	58
NOTES TO THE FINANCIAL STATEMENTS .....	67
Note 1 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES .....	67
Note 2 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION.....	67
Note 3 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATION .....	68
Note 4 – EXPENDITURE AND FUNDING ANALYSIS (EFA).....	70
Note 5 - EXPENDITURE AND INCOME ANALYSED BY NATURE .....	72
Note 6 - OTHER OPERATING EXPENDITURE AND INCOME .....	73
Note 7 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE.....	73
Note 8 - TAXATION AND NON SPECIFIC GRANT INCOME .....	73
Note 9 - PLANT, PROPERTY, EQUIPMENT (PPE).....	74
Note 10 - FINANCIAL INSTRUMENTS.....	76
Note 11 - FAIR VALUE OF ASSETS & LIABILITIES CARRIED AT AMORTISED COST..	77
Note 12 - SHORT TERM INVESTMENTS .....	78
Note 13 - DEBTORS.....	78
Note 14 - CASH & CASH EQUIVALENTS .....	79
Note 15 - CREDITORS.....	79
Note 16 - PROVISIONS.....	79
Note 17 - USABLE RESERVES.....	80
Note 18 - UNUSABLE RESERVES.....	81
Note 19 - REVALUATION RESERVE .....	82
Note 20 - CAPITAL ADJUSTMENT ACCOUNT .....	82
Note 21 - PENSIONS RESERVE.....	83
Note 22 - ACCUMULATED ABSENCES ACCOUNT .....	84
Note 23 - CASH FLOW STATEMENT – OPERATING ACTIVITIES.....	85
Note 24 - CASH FLOW – INVESTING AND FINANCING ACTIVITIES .....	86
Note 25 - MEMBERS' ALLOWANCES.....	86
Note 26 - OFFICERS' REMUNERATION.....	87
Note 27 - EXTERNAL AUDIT COSTS .....	89
Note 28 - GRANTS .....	89
Note 29 - RELATED PARTIES .....	90
Note 30 - CAPITAL EXPENDITURE AND CAPITAL FINANCING.....	92
Note 31 - FINANCING OF CAPITAL SPEND.....	93
Note 32 - CAPITAL COMMITMENTS .....	93
Note 33 - PFI. ....	93
Note 34 - PENSIONS (IAS 19).....	94
Note 35 - CONTINGENT LIABILITIES.....	101
Note 36 - NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS.....	102
FIRE FIGHTERS' PENSION FUND ACCOUNT (FFPF) .....	104
NOTES TO THE FIRE FIGHTERS' PENSION FUND ACCOUNT.....	105

## 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 2022/2023 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 in proportion 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 2022/23, the proportions were as follows:

	<b>Values £000</b>	<b>%</b>
Blaenau Gwent County Borough Council	3,548	4
Bridgend County Borough Council	7,544	9
Caerphilly County Borough Council	9,287	12
Cardiff County Council	18,776	24
Merthyr Tydfil County Borough Council	3,107	4
Monmouthshire County Council	4,871	6
Newport County Borough Council	8,067	10
Rhondda Cynon Taff County Borough Council	12,385	16
Torfaen County Borough Council	4,801	6
The Vale of Glamorgan Council	6,918	9
<b>Total</b> (note 29)	<b>79,304</b>	<b>100</b>

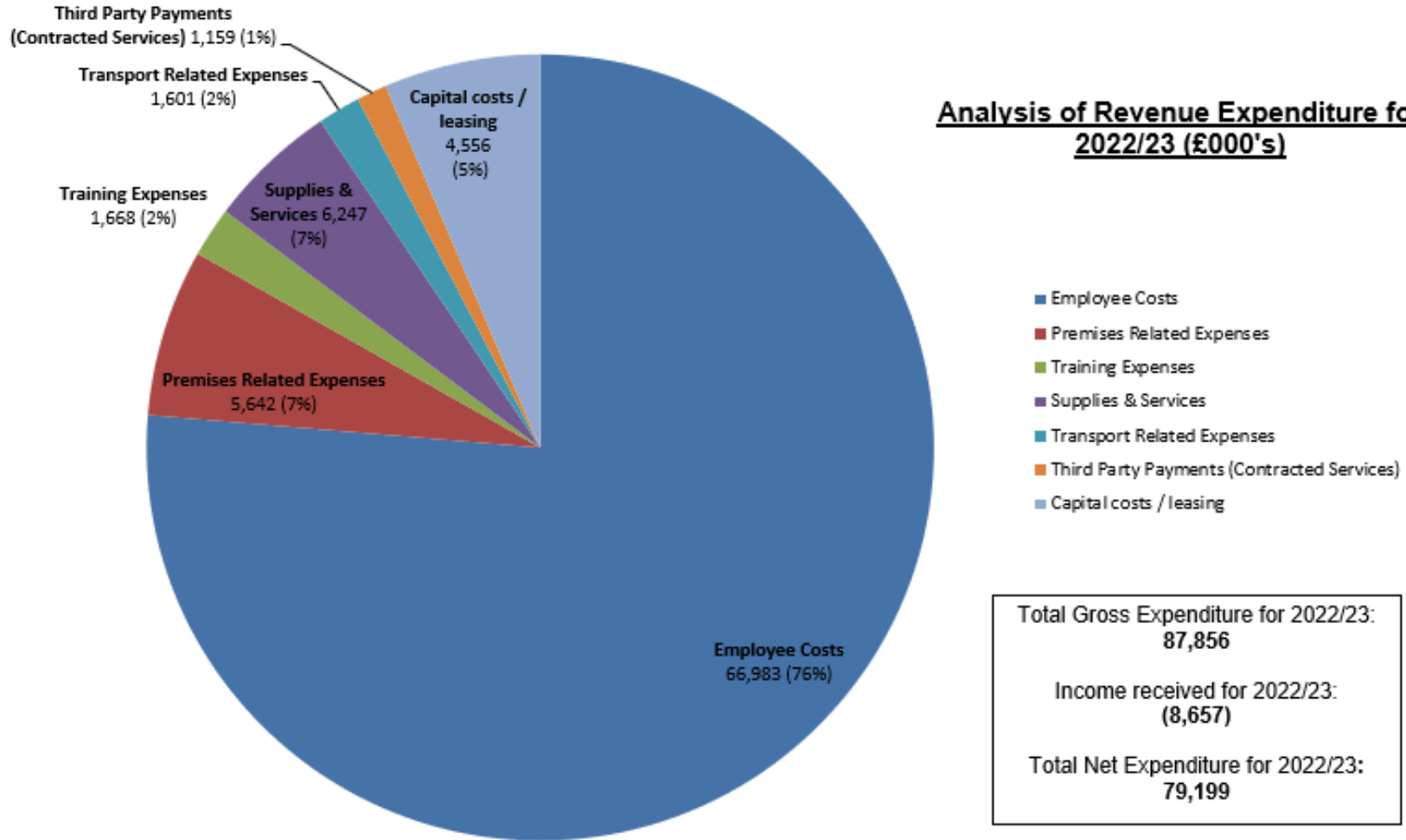
### Financial Performance in 2022/23

The Authority restricted the 2022/23 budget uplift to 2.29% which was a challenging settlement in light of the UK inflation crisis that transpired between budget setting and the beginning of financial year. Several factors allowed us to maintain this settlement i.e. income from rate rebates, financial resilience and effective budget management.

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.

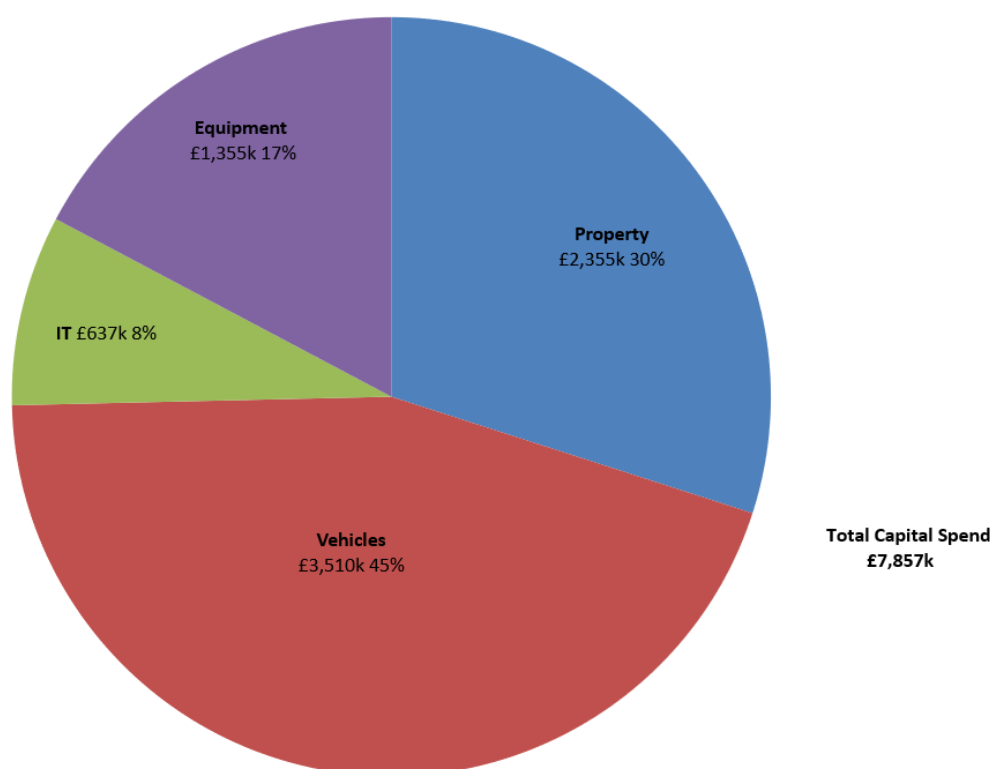
<b>Budget Outturn</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>Variance £000</b>
<b>Revenue</b>			
Expenditure (note 5)	83,537	87,856	4,319
Income (note 5)	(4,233)	(8,657)	(4,424)
Net Expenditure (note 5)	79,304	79,199	(105)
Unitary Authority (note 29)	79,304	79,304	0
(Surplus) /Deficit	0	(105)	(105)
<b>Capital (inc slippage)</b>			
Capital Spending (note 30)	12,021	7,857	(4,164)

**Expenditure by type 2022/23**



Capital expenditure in the year amounted to £7.9 million

**Analysis of Capital Expenditure for 2022/23**  
(£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 relate to finance secured with the Public Works Loans Board (PWLB). 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 £5.6 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 2022/23**

In 2022/23 the Authority successfully delivered a balance of prevention, protection and emergency response services, with the improvement objectives for the year continuing to be aimed at reducing deliberate fire setting and improving and ensuring the future sustainability of the Service.

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

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

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

### **Future Financial Plans**

The approach to budget uplifts of 2022/23 could not be replicated due to the continued inflation crisis and the cessation of various funding streams, i.e. Superannuation Contributions Adjusted for Past Experience (SCAPE) and Firelink. Consequently the 2023/24 revenue budget approved by the Fire and Rescue Authority gave an average increase of 12.70% taking the annual budget to £89.4 million.

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 and investment in large operational equipment projects, PPE and ICT. Our continued investment is critical in ensuring our personnel have the best equipment available and are effective in serving our communities.

### **Pension liability**

In 2022/23, there were 47 whole-time duty system (WDS) and 11 retained staff retirements and 11 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**

Various supply chains continue to challenge the Service and have not recovered to pre-pandemic and pre-brexit levels of stability. We are feeling the effects of the war in Ukraine and inflation crisis in the economy and our ability to attract competitive suppliers in our procurement processes in addition to experiencing more difficulties in contract management. We have adopted flexible pre-contracting approaches in addition to adopting a collaborative approach to contract management with internal Service departments and external partners. Regular supply chain impact analysis is continuing and links with our National Fire Chief Council (NFCC) network are vital in sharing information nationally to gain understanding.

The Service is continuing its support of national charities, i.e. Fire Aid, who in turn provide support to our firefighting counterparts in Ukraine with donations of end of life personal protective equipment (PPE), operational and communications equipment. Preparations are underway to support a donation convoy in the new financial year.



**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.



**Chris Barton**  
Treasurer

**Dated:31/05/2023**

## 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 2022/23 ("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 2023 and its income and expenditure for the year then ended.

**Signature: Treasurer**

**Date:**

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

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

**Date:**

## ANNUAL GOVERNANCE STATEMENT YEAR ENDING MARCH 2023

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

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

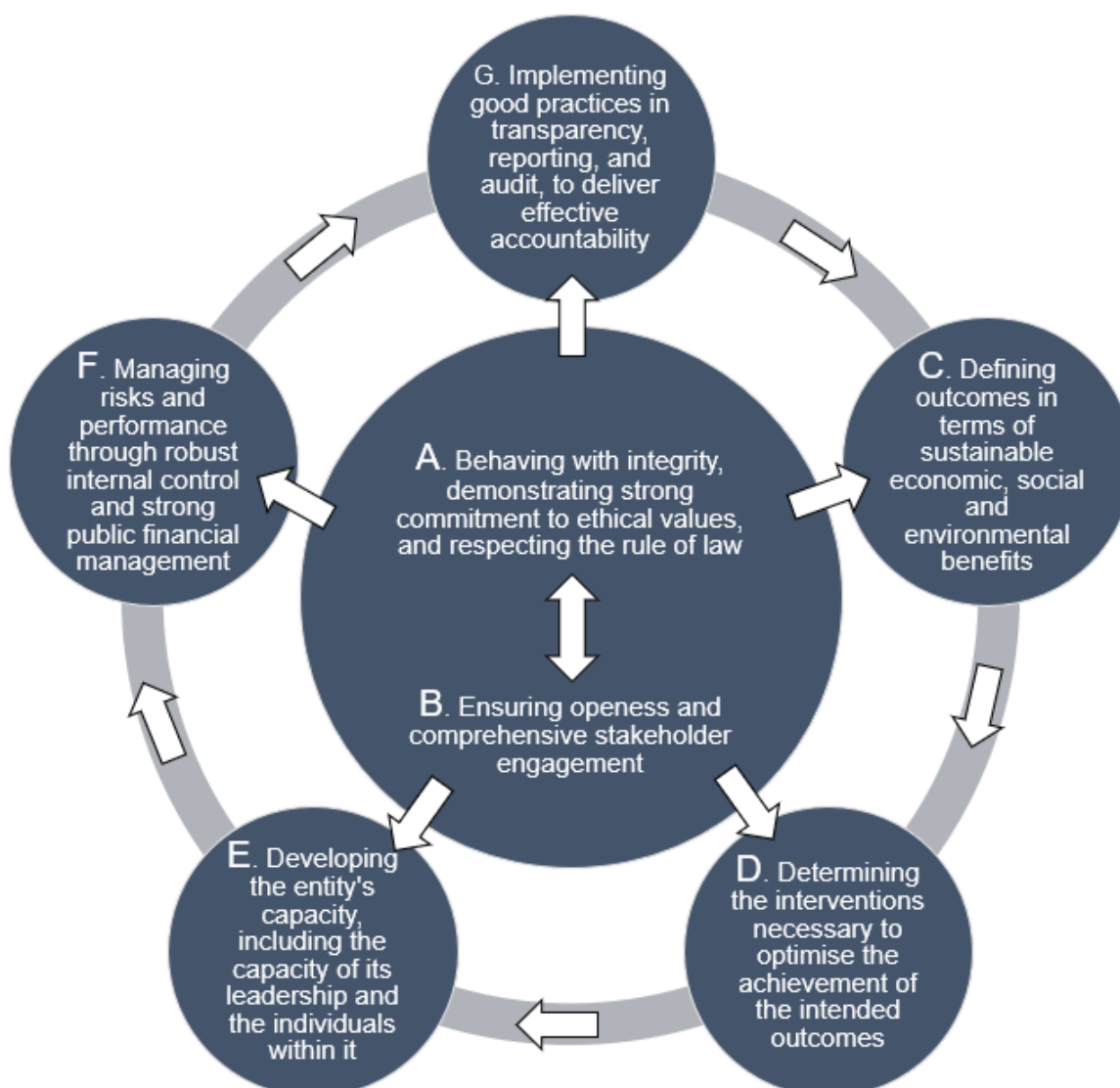


Fig. 1 Seven Principles of Good Governance

## **1. Scope of Responsibility**

South Wales Fire & Rescue Authority (SWFRA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. SWFRA also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.

In discharging this overall responsibility, SWFRA is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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 2023 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 which are appointed at the annual meeting. Each committee has a comprehensive set of terms of reference. Working groups are established on an ad-hoc basis as and when required. (See Fig.2)



Fig. 2 Committees of the Authority

The Executive Leadership Team (ELT), comprising the Chief Fire Officer, Directors, and the Treasurer of the Authority, 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 provides organisational leadership, functional challenge, and service delivery.

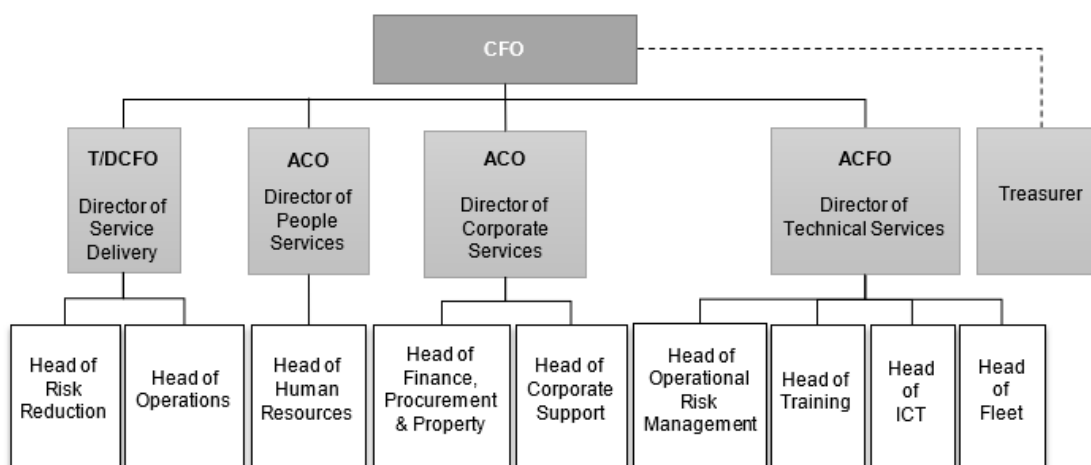


Fig. 3 Senior Management Structure of the Service

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

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 (CIPFA) Statement on the Role of the Chief Finance Officer in Public Organisations (2009).

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

Constitutional Documents – the SWFRA constitution was redrafted in 2022 and can be found on its [website](#). The constitution includes Contract Standing Orders, Scheme of Delegations and Financial Regulations. The constitution is periodically reviewed by the Monitoring Officer and Treasurer, and any identified changes needed are carried out under delegated authority or are reported to SWFRA for their approval.

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 2023 and can be seen on page 87 of this linked [document](#).

The current Medium Term Financial Strategy (MTFS) covers the period 2022-2023 to 2027-2028 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 26 September 2022 and the report can be reviewed on this [video link](#) alternatively the paper was also reported at the 10 October 2022 Finance Audit and Performance Management (FAPM) Committee and can be read on page 11 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.
- The current economic climate and public service partner financial pressures are also considered as well as the general financial environment in which the Service operates.

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

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 2021-2022 and what we plan to do 2023-2024](#).

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 and the Services responsibilities within the Socio Economic Duty 2021. Each directorate and department formulate their own plans in support of the strategic objectives which are reported on quarterly.

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

The FAPM Committee and the Scrutiny Group consider the effectiveness of the SWFRA's risk management arrangements and the work of the Internal and External Auditors. In 2022-2023, the Scrutiny Group considered the Strategic Risks of the Service in the 28 November 2022 meeting and can be viewed on this [video link](#). The FAPM Committee also considered departmental risks on 06 February 2022

and can be viewed on this [video link](#). The departmental risks were also reviewed at the 13 March 2023 FAPM Committee the report can be seen on this [link](#).

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 Financial Management code and associated gap analysis and action plan further enhances the robustness of these controls.

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

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, 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 the provider'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 and The Local Government (Wales) Measure 2011, 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 27 February 2023 and can be read on page 9 of this [link](#) and approved by SWFRA at the 27 March 2023 meeting on page 31 of this [link](#). Following an independent Pay review for Principal Officer remuneration (page 57 on this [link](#)) the Authority agreed a review on Principal Officers' pay would be carried out on a yearly basis by an external consultant for a period of two years commencing in 2022, followed by a review thereafter.

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 2022, within 12 months. Accordingly, SWFRA published this information within the deadline. SWFRS 2022 Gender Pay Gap Report can be accessed [here](#).

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

Related party returns are completed and signed by 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. SWFRA Governance Assurances aligned to CIPFA Principles**

The following section provides a brief overview of the governance assurances undertaken by SWFRA during 2022-2023. Although a criterion may be allocated under a particular principle there are many occasions when the same criteria will contribute to more than one criterion.

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

**Vision Mission and Values** - The Services Vision Mission and Values are published in the Strategic Plan and on the Services Website. These are the foundation of the decision making processes within the Service ([link](#)).

**Strategic and Improvement Plans** – The Services 10 year strategic Plan ([link](#)) was published in 2019 this identifies the Services longer-term aims and commitments and has an update published on an annual basis by 31<sup>st</sup> March each year (the stage 1 improvement plan [link](#)). This details the Improvement Objectives as required by the Local Government (Wales) Measure 2009, and well-being objectives in accordance

with the Well-being of Future Generations (Wales) Act 2015. The improvement Plan is published every October and the Service Publishes it's Stage 2 Improvement Plan over a 12-week period between October and January, the Service consults on the proposed Improvement and Wellbeing Objectives ([link](#)).

**The Constitution** - The Authority's Constitution is available on the Service's website ([link](#)) and explains how the Authority operates and how it makes decisions. The Constitution sets out the responsibilities of the Fire and Rescue Authority and its committees and includes the Scheme of Delegation to Officers (section 11.7). The constitution was revised in 2022 following publication of the final Model Welsh Local Authority Constitution. There is also an easy read constitution guide.

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

**The Code of Conduct for Officers (Staff)** – is published within section 17 of the Constitution it outlines the behaviours and conduct expected of Officers (all members of staff [link](#)).

**Complaints process** – the Service has a procedure to receive and respond to any complaints made.

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

**Section 112 (2) Officer** – also known as the Chief Financial Officer or Treasurer performs the duties of the Section officer. Section 112 of the Local Government Act 1972 requires FRSs to make arrangements for the proper administration of their financial affairs and appoint a S112(2) Officer to have responsibility for those arrangements. The Treasurer is a member of the Executive Leadership Team and is actively involved in decision-making.

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

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

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

**Discipline** – all allegations of wrongdoing are investigated in accordance with the Service’s Disciplinary Procedure which complies with ACAS best practice.

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

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

**Working Wage employer** – South Wales Fire and Rescue Service are currently paying employees over and above the Real Living Wage and are committed to becoming an accredited Real Living Wage employer.

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

**Corporate Planning Framework and Cycle** - The Service has a well-established corporate planning framework and cycle which is regularly reviewed to ensure its effectiveness. Part of this cycle includes pre-engagement of the Improvement Objectives to be proposed in the October document.

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

**Access to Meetings and Information** - All Fire Authority meetings are advertised and open to the public. All meetings are now available on a multilocation basis where participants may be physically located in the meeting venue whilst others join from their home or other remote location. This is defined in the constitution ([link](#)). All Authority and Committee meetings are recorded and published on the Services Website ([link](#)). Agendas and papers are available on the Service’s website ([link](#)).

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

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

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

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

**Internal communication** - methods include:

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

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

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

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

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

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

**Financial Planning** – the Service has robust Treasury, Capital and Medium Term Financial Strategies that are regularly reviewed and scrutinised by the FAPM and full Fire Authority Committees. The key financial controls of the Service are audited on a regular basis.

**Sustainability** – The Service has published and reviewed its Carbon reduction and Biodiversity plans. The Service is also committed to improving its sustainable and energy efficiency infra structure from using Electric vehicles with suitable charging

points on sites, to encouraging staff to develop biodiverse wellbeing areas, improving the biodiversity at our sites in sustainable ways.

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

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

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

**Governance and Scrutiny** – The governance and scrutiny provided by the Elected Members, the associated committees and working groups of the Service ensures robust assessment of Officer recommendations, the performance and outcomes achieved by the Service. Additionally, Member Champions provide subject specific scrutiny and challenge in several areas.

**Performance Reporting** – there are regular performance and monitoring reports to the Fire Authority. The Senior Management team have a monthly scheduled timetable of assurance measures that are reviewed and scrutinised internally. These cover progress reports and performance monitoring on operational performance, strategic indicators, and financial performance amongst others.

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

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

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

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

**The NFCC leadership model** – has been adopted by the Service as the basis for the personal review process and the framework for the Pathways and continuous professional development (CPD).

**Training, Development, and Induction** – Training and development opportunities are available for Members and Officers alike throughout their time with the Service.

There are proactive induction programmes for all and pathway programmes as well as online learning and development packages.

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

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

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

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

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

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

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

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

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

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

**Anti-Fraud, Anti-Bribery and Whistleblowing Policies**– the Service has a dedicated Fraud Officer, as well as robust and embedded anti-fraud, anti-bribery, and whistleblowing policies. In addition, there is the expectation and requirement of

officers and members to register declarations of interest, Related party returns and the M10 hospitality reporting process, as necessary.

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

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

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

**Access to Information** – All Fire Authority Meetings are documented with an Agenda and Minutes as well as Videos of the meetings being available on the Service Website for public scrutiny.

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

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

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

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

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

## 5. 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.

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

Report	Link	Issued
Cyber Resilience in the Public Sector	NOT FOR PUBLICATION	Dec 2022
Audit of South Wales Fire & Rescue Authority's Assessment of 2021-22 Performance	SWFRS <a href="#">link</a>	Dec 2022
Audit Wales - Certificate of compliance for the Audit of South Wales Fire & Rescue Authority's 2022-23 Improvement Plan	SWFRS <a href="#">link</a>	Jul 2022
Audit Wales Final Audit Letter	SWFRS <a href="#">link</a>	Jul 2022
Carbon Emissions Reduction	Audit Wales <a href="#">link</a>	Apr 2022
Audit Wales Enquiries to 'Those Charged with Governance' – Draft Response	SWFRS <a href="#">link</a>	Feb 2022
South Wales Fire and Rescue Authority Annual Audit Summary 2022	<a href="#">link</a>	Feb 2022
Audit Wales Report – Joint Working Between Emergency Services	Audit Wales <a href="#">Link</a> FAPM Committee AW presentation video <a href="#">link</a>	Jan 2022
South Wales Fire and Rescue Authority – Annual Audit Summary 2021	Audit Wales <a href="#">link</a>	Jan 2022
South Wales Fire and Rescue Authority – Corporate Resilience Report	Audit Wales <a href="#">link</a>	Nov 2021
South Wales Fire and Rescue Authority – Annual Audit Summary 2019-20	Audit Wales <a href="#">link</a>	May 2021



### Internal Auditor Programme of Audit and Reports

<b>Audit</b>	<b>Overall Assessment</b>	<b>Link</b>	<b>Issued</b>
Key Financial Controls	Reasonable Assurance	<a href="#">link</a>	Feb 2023
Assurance Review of Human Resources Management – Training	Substantial Assurance	<a href="#">link</a>	Feb 2023
Risk 203 - Cyber Risk - ICT services are affected by a cyber-attack	Reasonable Assurance	<a href="#">link</a>	Feb 2023
Rostering	Reasonable Assurance	<a href="#">link</a>	Feb 2023
Indicative Internal Audit Annual Report 2022-2023	Satisfied	<a href="#">link</a>	Feb 2023
Station Visits	Substantial Assurance	<a href="#">link</a>	Mar 2022
Mitigating Controls	Substantial Assurance	<a href="#">link</a>	Mar 2022
Internal Audit Annual Report 2021-2022	Satisfied	<a href="#">link</a>	Mar 2022
Summary report Key Financial Controls	Reasonable Assurance	<a href="#">link</a>	Feb 2022
Death In Service Benefit Scheme	Reasonable Assurance	<a href="#">link</a>	Feb 2022
Assurance Review of Equality and Diversity 2021-22	Substantial Assurance	<a href="#">link</a>	Feb 2022

### Fire Advisor Reports

<b>Report</b>	<b>Link</b>	<b>Issued</b>
Thematic Review of Operational Training within the Welsh Fire and Rescue Services – October 2022	Fire Advisor Report <a href="#">link</a> SWFRS Recommendations <a href="#">link</a>	Oct 2022 Mar 2023
Broadening the Role of Firefighters in Wales – Fire & Rescue Service Capacity – Thematic Review.	Fire Advisor Report <a href="#">link</a> SWFRA Recommendations <a href="#">link</a>	Apr 2022 Mar 2023

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

- Regular review of policies and procedures by the officer responsible and by the Senior Management Team.
- Periodic review of the constitution and ethical governance arrangements by the Monitoring Officer and Treasurer, which were last reviewed in March 2023.
- 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 including the Scrutiny group outlining the work that had been undertaken throughout the year, giving Members the opportunity to challenge and scrutinise any area that they feel fit. Directorate reports are also presented to the Scrutiny Group.
- The appointed internal auditor 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

***“HEAD OF INTERNAL AUDIT’S ANNUAL 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 is an indicative opinion and will be updated once all audit reports have been issued as final. This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by South Wales Fire and Rescue Service from its various sources of assurance.”***

This can be viewed on page 68 of the Finance, Audit & Performance Management Committee papers presented at the 13 March 2023 meeting on this [link](#).

The Auditor General also provides assurance to SWFRA, through their Audit Wales Final Audit Letter. This was reported to the 10 October FAPM Committee and can be found on page 123 of this [link](#). In this document dated 28 July 2022 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 2022 has been completed. I have not had to issue a report in the public interest under Section 22 of the Public Audit (Wales) Act 2004.”***

The Audit Wales South Wales Fire and Rescue Authority Annual Audit Summary 2022 reported to the Fire Authority on 13 February 2023 and can be found on page 199 of this [link](#), stated that:

For 2021-22:

- *the Auditor General gave an unqualified true and fair opinion on the Authority's financial statements on 26 July 2022, five 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 also 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 2022 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 Finance, Audit and Performance Management Committee in our Audit of Financial Statements Report in July 2022.*
- *the Auditor General issued the certificate confirming that the audit of accounts for 2021-22 has been completed."*

Additionally, the Auditor General stated that for continuous improvement:

*"The Auditor General certified that the Authority has met its legal duties for improvement planning and reporting and believes that it is likely to meet the requirements of the Local Government (Wales) Measure 2009 during 2021-22."*

Corporate governance processes have operated as intended throughout the year, a summary of which can be seen below:

Issues identified	Performance in 2022-2023
Formal reports by Section 127 or Monitoring Officer	None issued.
Issues Identified by SWFRA or Monitoring Officer recommendations	No significant issues or breaches of Officer conduct have occurred.
Proven frauds carried out by members of staff	None.
Use of Regulation of investigatory Powers Act	There were no applications for RIPA authorisations in 2022-2023, nor were there any previous authorisations that carried onto 2022-2023.
Complaints and Compliments received from members of the public	A total of 66 complaints received in 2022-2023 (to date 31 March 2023) A total of 84 letters of thanks received during 2022-2023 (to date 27 March 2023).
Number of Whistle blowing cases	There were two cases that qualify as whistleblowing items during 2022-2023.
Independent Review	<p>An ITV investigative news article screened on 12th and 13th December 2022 reported the outcomes of two historic discipline cases previously investigated by the Service. In response to this disturbing news article the Chief Fire Officer commissioned an Independent Review of:</p> <ul style="list-style-type: none"> <li>• the culture of the Service</li> <li>• discipline processes</li> <li>• historic cases of where employees have failed to uphold our professional values and standards</li> </ul> <p>An Independent Panel have appointed Fenella Morris KC as the Independent Chairperson to lead the Service's review. Fenella Morris KC anticipates the review will be completed by the end of 2023 calendar year</p>

## **6. How We Met Significant Governance Issues and Challenges for 2022-2023**

The Service maintained its response to the Covid-19 endemic with the continuation of regular Covid Review meetings. The Service has also developed and maintained a critical timeline of decision-making, documenting and recording the changing government regulations and guidance and the subsequent decisions made within the 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 specific Strategic Covid-19 Risk was maintained and associated control tasks continued to be implemented and monitored. The actions taken ensured that we continued to mitigate the effects of the endemic on the Service and its work in our wider communities. The Service transitioned to respond and operate in a Covid Environment

The significant investment made at all Service locations to enable remote working and facilitate improved engagement with stations and partners using video conferencing equipment continued to prove effective. This substantial investment continues to deliver improvements and development of the Service. The introduction of Office 365 has further enhanced remote working, data management and internal collaborative working improving the connect ability amongst all Service locations.

Meetings of the Authority were held in a hybrid fashion blending in person attendance and virtual attendance using video conferencing software and were recorded for publication on the Service website and can be viewed via this [link](#). It remains the case that remote working is a viable, cost-effective, and sustainable way of operating the Authority. 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 continues to operate all the governance functions in a hybrid fashion.

Joint Fire Control (JFC) commenced on 18th October 2017, following the merger of Mid & West Wales Fire and Rescue Service (MAWWFRS) and South Wales Fire and

Rescue Service (SWFRS) control functions. A review into the structure at JFC was sanctioned in 2020. The final JFC review report was published in September 2021 with the following key focus areas (KFA) identified:

The review team were tasked with the following key focus areas (KFA):

- KFA 1 - Head of Control appointment
- KFA 2 - Working Conditions
- KFA 3 - Structure review
- KFA 4 - Hand back
- KFA 5 - Shift times
- KFA 6 - Environmental Issues (Policy and Procedures, Uniform)

The review team has been successful in fulfilling some of the KFA's, including the appointment of the Head of Control, improving the working environment with the introduction of rest PODs, appointment of an ICT expert delivering on improving the ICT structure, a hand back to services on some key work streams and other environmental improvements. It is now recommended that a mid-term review of the implementation roadmap is conducted as well as instigating an internal audit of the embedment of operational learning from the Grenfell Tower inquiry and Manchester Arena incident 2017.

The Service has four distinct groups of employees: Operational (firefighters), Joint Fire Control, Corporate and Auxiliary staff. To deliver services to the communities of South Wales the Service maintains robust risk assessments and working procedures implementing actions to allow staff to maintain good hygiene and work safely both within operational incidents and in the general workplace.

Activities such as working with young people, visiting schools, carrying out Safe and Well visits and Fire Safety Audits were maintained. We continued to ensure those most at risk were as safe as possible, whilst maintaining innovative ways to deliver our interventions. This work will continue in 2023-2024.

The Service continues to review business continuity processes, which remain robust, and the integrated Business Continuity plans continue to be exercised on a long-term basis. The Service continued to work with external partners to identify wider risks and exercise joint response plans with Welsh Government, Local Resilience Forums on a multi-agency basis.

The Service has actively managed its preparations for potential IA by both Operational and Control Firefighters through regular Business Continuity meetings to ensure compliance with the Authority's statutory duty obligations. The frequency was adjusted throughout the autumn and winter, meeting more frequently when the likelihood of IA had increased, to ensure that the Service matched pace with developments. Putting in place provisions to minimise risk, mitigate potential impacts and respond safely whilst serving the communities of South Wales. During the recent public sector strikes the Service worked with partners to minimise disruption to our communities when partner public sectors exercised their right to strike

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 27 February 2023 the report can be accessed on page 81 of this [link](#).

The Service further developed 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 is now regularly used by stations allowing greater interaction and use of the system particularly the additional statistical data measures. Further suites of dashboards were developed which provides up to date information informing the Service of its performance and enabling evidence-based decision making.

The system continued to deliver our Business Plans and station Community Risk Management Plans (CRMPs), as well as statistical performance data (including incident statistics). To improve the user experience significant stakeholder engagement was conducted to co-create the preferred solution for the users.

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 launched across the Service utilising the Talent Module within Core HR. The Learning Management system and learning pathways for supervisory managers went live from 01 March 23. There is now the ability for operational staff to apply for Continued Professional Development payments through the Core system, becoming automated through the HR Core system.

The Service continued to embed 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 used by the Service. The Services Wellbeing Delivery 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 four update of the [Strategic Plan 2020-2030](#) which is available on this [link](#).

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 four Public Service Boards, we continued to support the local Well-being Plans. 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. At the 27th March 2023 Fire Authority Meeting the Authority reviewed and approved the Cwm Taf Morgannwg, Cardiff, Gwent and Vale of Glamorgan Public Service Boards Well-being Plans 2023-2028. The report can be seen on this [link](#).

The Service maintained and expanded its co-location projects at locations throughout the South Wales area in a number of locations. Significant building works have continued this year. The Service has maintained and is exploring further

options to expand its co-location provision and enhance working links with blue light partners. A project also commenced during the year to formalise our approach to the day to day running of our co-location sites and part of this is developing a standard suite of documents with consistent terms and conditions to enable and enhance local management.

Progress has been made regarding future proofing the Services building portfolio and ensuring investment not only meets operational requirements but focuses on decarbonising the estate. Preparatory work is ongoing to introduce New Inn Fire Station as the first, net zero carbon (NZC) station in Wales. The existing fire station at New Inn is beyond repair and no longer fit for purpose and will be replaced with a completely new build. Unfortunately, investment in solar panel installations at both HQ and Barry sites has not come to fruition as investigative work has shown roof types / conditions are not conducive to affixing panelling as it compromises the integrity of the roof. Wider investigative work will continue across the portfolio to identify opportunities and we will work with our partners at the Welsh Energy Service to achieve this.

2022-2023 has also seen the completion of the new Urban Search and Rescue (USAR) facility based at Whitchurch. This facility accommodates national assets and has been fully funded by Welsh Government (WG).

The Service has continued to invest in its on-call provision and work has commenced on a project that will run for 4-5 years. The project involves 9 on-call duty system (OCDS) stations and looks to improve training, learning and storage spaces in a sustainable manner and to address the evolution and growth in PPE firefighting equipment / issue. Work commenced at Pontycymmer station in January and a second site, i.e., Treorchy is due commence soon. Grant funding has been secured to part fund design costs of sustainable elements i.e., air source heat pumps, solar panels, drying room tech, etc.

Investment in the Fire Station Tower Project is underway following a strategic review in 2021-2022 and the importance this has for on-site station training and competency. Two out of six identified towers will be replaced with the new style, steel tower by the end of 2022-2023 with a further two will be complete by 31 May 2023 and the remainder being addressed in 2023-2024 as and when individual planning permission allows.

A £169k grant was secured from WG during the year to increase coverage of electric vehicle (EV) charging capabilities across the property portfolio and included 26 additional sites and completed coverage of every wholetime site (except for those due to have major refurb / development work) in addition to 85% of on-call sites. This work will complete by the end of the financial year although focus in this area is ongoing and future plans for EV charging will focus on the introduction of rapid chargers to compliment the current 7kw provision.

2022-2023 also saw a plan for investment in non-gender specific welfare facilities on whole time fire stations to ensure our facilities are inclusive to all and are fit for the modern fire service. Investment has started and will continue throughout 2023-2024.



The Service Completed Phase 1 of the Job Evaluation Project with all appeals concluded in 2022. This has ensured a good foundation of the procedures and policies to enable the move to Phase 2 of the project. The Service was unable complete Phase 2 of the Job Evaluation Project in 2022-2023 which was planned to will include reviews of Job Titles and allowances for on call and out of hours cover by green book staff.

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. To create capacity to deal with the complex issues with existing resources a temporary structure was put in place. To enhance the experience for operational staff approaching retirement and provide more up to date estimations of retirement benefits the Service Website has been updated with the GAD Calculator.

The Accounts and Audit (Wales) (Amendment) Regulations 2018 set the requirement to approve and publish the accounts by 31 May and 31 July this has now transformed into business as usual. The public had the opportunity to exercise their right to inspect the accounts from Monday 6<sup>th</sup> June to Friday 1<sup>st</sup> July inclusive. The 4<sup>h</sup> of July was nominated as the date the public could exercise their right to question the Auditor General until completion of the audit. The CIPFA Financial management Code was adopted in March 2022.

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. 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 the Authority waits 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.

The Service maintained compliance with the National Framework for Fire and Rescue Services (2016) whilst awaiting replacement guidance or legislation.

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 Authority received the Welsh Government Fire Advisor report in July 2022 ([link](#)) and then received a further report on the SWFRS recommendations ([link](#)).

The Authority also received a report from the Welsh Government Fire Advisor Thematic Review of Operational Training within the Welsh Fire and Rescue Services in December 2022 ([link](#)) and subsequently received and approved the SWFRS Recommendations ([link](#)) in March 2023.

2022-2023 saw the continuation of the current Carbon Reduction Plan and biodiversity plan. The Service published the Carbon Reduction Plan on its website

which is accessible via this [link](#). Updates on the Carbon Reduction Plan and Biodiversity plan have been reported to full Fire Authority, annually since and the update was reported 26 September 2022. 2023-24 will see the three-year update for both plans, which will present themes, actions, and smarter metrics to illustrate how the Service is changing year on year and as a result of instigating elements of the plan.

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 reflects the operation of the Service during the whole of the 2022-2023 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 2021-2022 at the 26 September 2022 (which can be viewed on page 85 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.

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](#)). Following this report, the Business Fire Safety (BFS) Department are currently collaborating with the Welsh Assembly Government (WAG) to facilitate the implementation of Phase 3 audits which will address any concerns with internal compartmentation and external wall systems. The Service are in receipt of regular updates regarding the internal and external surveys conducted by the WAG contractor to conduct Type-2 internal (compartmentation) surveys (Type-3 and Type-4 where required) and external wall assessments.

BFS are also using the BMIS high rise risk-based data in conjunction with the surveys carried out by WAG to prioritise the phase 3 auditing program on High-Rise Residential Buildings (HRRB's). There are approximately 170 High-Rise Residential Buildings (sleeping risk) that may require a phase 3 audit which will be dependent on the data above and the BFS department will prioritising these audits going forward.

The Scrutiny Group arrangements within the Authority were reviewed. The new Scrutiny Group covers wider organisational areas of scrutiny and thematic reviews within the Authority. The effect of this reform on the FAPM Committee and the HR & Equalities Committee and associated changes to the various terms of reference have been agreed and embodied in the revised constitution.

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 the 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 continued to be reported through the Strategic Collaboration Board to JESG.

Supply chain issues for key strategic contracts continued to be closely monitored to limit the risks and impacts to the Service. Using stronger contract management to minimise the impact on the Service due to either global shortages, Covid impacts, or global conflict proved effective. Procurement, in conjunction with Service departments, are continuing to manage the economic shocks brought about by the pandemic, Brexit, and the invasion of Ukraine. Supply chain issues have been problematic for a number of high-profile contracts i.e., breathing apparatus, PP and driving licence checks.

## **7. Significant Governance Issues and Challenges for 2023-2024**

Following the ITV investigative news article report on the outcomes of two historic discipline cases previously investigated by the Service. The Service will fully support the Independent Review of:

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

The Independent Chairperson of the Culture Review has been confirmed as Fenella Morris King's Counsel (KC). Fenella Morris KC anticipates the review will be completed by the end of 2023 calendar year.

The Service will also continue to support the work of White Ribbon. Continuing all the actions and engagement events that the Service has done in the past.

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

The Service will continue to prepare for potential IA ensuring that the good preparation work carried out in 2022-2023 is embedded and becomes business as usual. This will involve regular exercising and testing of IA plans.

To enhance scrutiny arrangements within the Authority a Scrutiny Committee Forward work plan will be developed in preparation for when the Scrutiny Group commutes to a Scrutiny Committee in the new Municipal year.

The Service will continue to consider and work toward the accepted recommendations from the two Welsh Government Fire Advisor Thematic reviews of broadening the role of the firefighter and operational training.

The Fire Control Review team had an opportunity to look holistically at the JFC and have also identified future opportunities, including lessons learnt from COVID, thus ensuring that a continuous learning culture is part of the ethos of the JFC moving forward. Some areas already identified are:

- Intelligent mobilisation through mobile video software i.e., 999 eye.

- Remote working e.g., call handling, mobilisations and supporting spate conditions
- Software integration both external and internal to both Services i.e., tactical officer rotas, what3words, Boss Mobile
- System thinking of all processes for efficiency

Meetings of the Authority will continue to be held in a hybrid fashion of in person and virtually, using video conferencing software and recorded for publication online. The Service continues to work towards embodying the full provisions of the LGE Act including the broadcasting and access to recordings 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. 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 2023-2024.

Over the next 12 months the Service will continue the development of BMIS to support effective information gathering and real time decision making in times of IA and to support business as usual.

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

The Services Wellbeing Delivery Group will continue activity promoting and generating Wellbeing improvements for all staffing groups. The Service will also be conducting 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 progress Phase 2 of the Job Evaluation Project which will include reviews of Job Titles and allowances for on call / out of hours cover by green book staff.

Changes to pension and tax legislation continue to provide challenges to the organisation. The temporary restructure to provide capacity to deal with these complex issues with existing resources is in place and progress will be regularly reported to the Local Pension Board and FRA.

Public Sector Funding is an increasing challenge for all. The continuing impact of increased demand on public sector services and spending reductions in the public sector alongside the cost-of-living crisis is a key issue for SWFRA and the

settlements that local authorities face is always considered when SWFRA sets its annual budget. These factors are always carefully considered when determining the MTFS.

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 2022 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 and its financial arrangements.

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

The Sustainability Officer has instigated a Wales wide Fire and Rescue Service (FRS) sustainability group comprising subject experts as each FRS is at a different point in their journey and this group will help to support the sharing of learning and understanding on what is an important and developing area.

These groups will be supplemented by the introduction of Green Champions, i.e., station-based membership, to complete the Services, 'Green Network' and ensure all aspects of the Service have an avenue to feed into and ask questions about the CRP and biodiversity plans.

In addition, the last quarter of 2022-2023 has seen progress in the preparatory and planning work to introduce and embed 'sustainable procurement' (SP), as a method of understanding where our suppliers are in their sustainability journey and to better monitor and aid decision making on the impact procurement has on the Services carbon footprint metric Co2. Work is ongoing with WRAP Cymru to determine a suitable procurement tool for Service departments and suppliers to use to assist data capture and monitor our progress. This will continue for 2023-2024.

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 7 of the year 4 update of our Strategic plan which can be viewed [here](#).

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

## 8. Governance Action Plans

### Governance action Plan 2022-2023

<b>Governance Action Plan 2022-2023</b>				
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Completion Date</b>	<b>Progress</b>
Constitutional Documents  Lead Officer: Assistant Chief Officer - Director Corporate Services	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 consequently implemented.	Model Constitution still in development working with Monitoring Officer Group.  September 2022	Complete Constitution approved at FA meeting in December 2022. Implementation of constitution deferred until next municipal year to allow for Scheme of delegations to be updated and implemented as one.
Member Induction and Refresher training  Lead Officer: Assistant Chief Officer - Director Corporate Services	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.	September 2022	Complete Member induction completed in person for members in Summer 2022. Offline version developed and will be issued to members in February 2023 Revised members handbook
Supply chain challenges  Lead Officer: Assistant Chief Officer - Director Corporate Services	Provide adequate supplies to support all operational and prevention activities.	The Service will continue to receive supply chain items with minimal disruption.	March 2023	Complete Little or no disruption to supply chains due to robust contract management..

## Governance Action Plan 2022-2023

Issue	Action	Outcome	Completion Date	Progress
<p>Fire Fighter Pensions</p> <p>Appeals Lead Officer: Assistant Chief Officer - Director People Services</p>	<p>To implement the decision of the Employment Tribunal in respect of McCloud / Sargeant.</p>	<p>Firefighters' pensions corrected and calculated appropriately going forward.</p>	<p>As per the new legislative framework.</p>	<p>Ongoing Category 1 cases - not retired still employed have progressed in year. Category 2 cases – already in receipt of pension on hold until regulations are published (expected October 2023).</p>
<p>Job Evaluation</p> <p>Lead Officer: Assistant Chief Officer - Director People Services</p>	<p>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.</p> <p>Identify future working practices for the Service to enable consistent Job Evaluation activity.</p>	<p>Review of Job Titles and Allowances.</p> <p>Established process for future Job Evaluation activity.</p>	<p>Q4 2022-23</p>	<p>Deferred to 2023-2024 Due to essential staff absences and competing priorities this action was deferred and has been carried over to 2023-2024</p>



## Governance Action Plan 2022-2023

Issue	Action	Outcome	Completion Date	Progress
<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>Q4 2022-23</p>	<p>Ongoing continues to 2023-2024.</p>
<p>Fire Safety Act 2021</p> <p>Lead Officer: Assistant Chief Fire Officer - Director Service Delivery</p>	<p>Identify requirements from the Fire Safety Act 2021 and embody and actions required to enable the Service to fully support the act.</p>	<p>Service able to fulfil its statutory duty.</p>	<p>Q3 2022-23</p>	<p>Ongoing Action plans in place and significant progress made. This action will continue in 2023-2024 Strategic Risk is being actively managed.</p>
<p>Living Wage Foundation Accreditation</p> <p>Lead Officer: Assistant Chief Officer - Director People Services</p>	<p>Achieve living wage accreditation.</p>	<p>Become an accredited living wage employer.</p>	<p>Carried forward to 2023-2024</p>	<p>Approved by FA on Monday the 20 Dec 2021.</p> <p>All staff in receipt of living wage the next phase is the review with contractors.</p> <p>Awaiting accreditation determination.</p>

## Governance Action Plan 2022-2023

Issue	Action	Outcome	Completion Date	Progress
<p>Living with Covid-19 transitioning from pandemic to endemic</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>Q4 2022-23</p>	<p>Complete Robust and integrated business continuity plans in place. BMIS Dashboard created and available for future use to enable real time decision making based on evidence. Regular Covid review meetings held to assess current threat levels and appropriate actions.</p>
<p>Lead Officer: Chief Fire Officer</p> <p>Lead Officer: Chief Fire Officer</p>	<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>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 regarding financial administration and corporate governance.</p>		<p>Complete Service can respond and adapt to all covid alert levels.</p> <p>Complete Service fully evidenced covid expenditure displaying sound financial management. Corporate Governance mechanisms adapted and flexible with hybrid meetings as standard business practice</p>

## Governance Action Plan 2022-2023

Issue	Action	Outcome	Completion Date	Progress
Lead Officer: Chief Fire Officer	Identify new and innovative ways to deliver Services and Engage with the public in a Covid-19 environment.	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.	Q4 2022-2023	Complete Digital engagement improved and social media campaigns proving more effective.
CIPFA Financial Management Code 2019  Lead Officer: Treasurer	Embody actions and recommendations from the self-assessment of the Service's compliance with the principles of the CIPFA FM Code.	Improve financial resilience of the Service by embedding enhanced standards of financial management.  Address any gaps or limitations in compliance with the FM Code.	Q4 2022-23	Ongoing planned to continue 2023-2024

## Governance action Plan 2023-2024

<b>Governance Action Plan 2023-2024</b>				
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>
Industrial Action (IA)	To continue to test and have in place robust and effective business continuity plans to enable the Service to deliver its statutory duties in times of IA.	During times of IA, the Service can deliver its statutory duty to receive and action emergency incidents where there is risk to life or property.	Assistant Chief Fire Officer – Director of Technical Services	March 2024
Independent Review	To put in place, support and champion the mechanism and process of an independent review into: <ul style="list-style-type: none"> <li>• the culture of the Service</li> <li>• discipline processes</li> <li>• historic cases of where employees have failed to uphold our professional values and standards.</li> </ul>	To receive learning and recommendations from the independent review; and to develop and implement actions to address the recommendations of the Review.	Chief Fire Officer	March 2024 September 2024
Job Evaluation Phase 2	Phase 2 of the programme to establish a more coherent approach for naming conventions across the Service for Corporate Roles. There will also be a review of the allowances applied to particular corporate roles.  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	March 2024

<b>Governance Action Plan 2023-2024</b>				
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>
Fire Fighter Pensions	To implement the decision of the Employment Tribunal in respect of McCloud / Sargeant - age. Matthews / Obrien par time working regs	Firefighters' pensions corrected and calculated appropriately going forward.	Assistant Chief Officer - Director People Services	As per the new legislative framework.
Living Wage Foundation Accreditation	Achieve confirmation of living wage accreditation.	Become an accredited living wage employer.	Assistant Chief Officer - Director People Services	September 2024
Biodiversity and Carbon Reduction Plan	To seek to maintain and enhance biodiversity and reduce the carbon footprint in the proper execution of the Services functions, and in doing so promote the resilience of ecosystems.	Develop and implement the first 3-year plan to reduce the impact of the Service on the environment and support the Environmental objectives of the Wellbeing Future Generations Act.	Assistant Chief Officer - Director Corporate Services	March 2024
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.	Improve financial resilience of the Service by embedding enhanced standards of financial management.  Address any gaps or limitations in compliance with the FM Code.	Treasurer	March 2024
COVID Enquiry	Prepare to respond to the Covid 19 Enquiry		Chief Fire Officer	March 2024

## Governance Action Plan 2023-2024

Issue	Action	Outcome	Lead Officer	Completion Date
Internal Communication of Constitution and contents	To completed and evidence communication and understanding of the constitution across the Service specifically officer code of conduct section	All staff within the Service have read and understood the Officers Code of Conduct	Assistant Chief Officer - Director Corporate Services	December 2023
Fire Control Review	Implementation of the Joint Fire Control review report. 5 Key Task Areas (KTA) Published in September 2021.	Service able to fulfil its statutory duty. An efficient, effective, and resilient Joint Fire Control room function.	T/DCFO Director of Service Delivery	March 2024

Internal documents referred to in this statement can be found on our website at [www.southwales-fire.gov.uk/](http://www.southwales-fire.gov.uk/)

## 9. 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 2022-2023 remained fit for purpose.

It is believed that 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 2023-2024.

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

We propose to take steps to address all 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 2023-2024, will include an updated position against the governance issues identified in the 2022-2023 Statement.

Signed:	Signed:
<b>Fire &amp; Rescue Authority Chairperson</b>	<b>Chief Fire Officer</b>
Date:	Date:

## AUDITOR'S REPORT

### The 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 2023 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

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

- give a true and fair view of the financial position of South Wales Fire and Rescue Authority and the South Wales Fire and Rescue Authority Firefighters Pension Fund as at 31 March 2023 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 2022-23.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. My staff and I are independent of the South Wales Fire and Rescue Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



## **Conclusions relating to going concern**

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

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

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

## **Other Information**

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

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

I have nothing to report in this regard.

## **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

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

In the light of the knowledge and understanding of South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund and

its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

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

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

- the preparation of the statement of accounts, which give a true and fair view and comply with proper practices;
- maintaining proper accounting records;
- internal controls 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; and
- assessing the South Wales Fire and Rescue Authority and the South Wales Fire and Rescue Authority Firefighter's Pension Fund's ability to continue as a going concern disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the responsible officer anticipates that the services provided by South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund will not continue to be provided in the future.

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

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

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

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

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

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

Authority 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.

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

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

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

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

*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.*

Adrian Crompton  
Auditor General for Wales  
Date:

1 Capital Quarter  
Tyndall Street  
Cardiff CF10 4BZ

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)

2021/22				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
87,670	-7,642	80,028	Fire Fighting costs	84,431	-8,398	76,033
87,670	-7,642	80,028	<b>Cost of Services</b>	84,431	-8,398	76,033
0	-58	-58	Other operating income & expenditure (note 6)	0	13	13
22,057	-10	22,047	Financing and investment income and expenditure (note 7)	27,564	-260	27,304
0	-78,926	-78,926	Taxation and non-specific grant income (note 8)	0	-81,694	-81,694
		<b>23,091</b>	<b>Deficit on Provision of Services</b>			<b>21,656</b>
420	-5,319	-4,899	Surplus or Deficit on Revaluation of Property, Plant and Equipment	0	-5,995	-5,995
		-60,670	Re-measurement of the net defined benefit (asset) / liability (note 21 & 34)			-324,600
		-65,569	<b>Other Comprehensive (Income) and Expenditure (MiRS)</b>			-330,595
		<b>-42,478</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>-308,939</b>

## MOVEMENT IN RESERVES STATEMENT (MiRS)

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

	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 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

## BALANCE SHEET

31 March 2022		31 March 2023	
£000		£000	Notes
85,235	Property, Plant and Equipment	93,414	9
111	Intangible assets	184	
200	Long Term Debtors	100	13
<b>85,546</b>	<b>Long Term Assets</b>	<b>93,698</b>	
962	Inventories	1,073	
4,738	Short Term Debtors	6,071	13
7,158	Cash and Cash Equivalents	2,163	14
<b>12,858</b>	<b>Current Assets</b>	<b>9,307</b>	
-419	Short Term Liabilities	-437	33
-1,572	Short Term Borrowing	-1,535	10
-4,783	Short Term Creditors	-5,425	15
-38	Provisions	-38	16
<b>-6,812</b>	<b>Current Liabilities</b>	<b>-7,435</b>	
-26,737	Long Term Borrowing	-25,354	10
-3,677	Other Long Term Liabilities – PFI	-3,240	33
-987,073	Liability related to defined benefit pension schemes	-683,932	34
<b>-1,017,487</b>	<b>Long Term Liabilities</b>	<b>-712,526</b>	
<b>-925,895</b>	<b>Net Assets</b>	<b>-616,956</b>	
-17,174	Usable Reserves	-16,967	17
943,069	Unusable Reserves	633,923	18
<b>925,895</b>	<b>Total Reserves</b>	<b>616,956</b>	



## CASH FLOW STATEMENT

2021/22		2022/23
£000		£000
23,091	<b>Net deficit on the Provision of Services</b> (CIES & note 23)	21,656
-30,567	Adjustments to net surplus or deficit on the Provision of Services for non-cash movements (note 23)	-25,749
-1,185	Adjustments for items included in the net surplus or deficit on the Provision of Services that are Investing and Financing activities (note 23)	161
-8,661	<b>Net cash (inflow)/outflow from Operating Activities</b>	-3,932
1,837	Investing Activities (note 24)	5,792
2,864	Financing Activities (note 24)	3,135
-3,960	<b>Net (increase) or decrease in cash and cash equivalents</b>	4,995
3,198	Cash and cash equivalents at the beginning of the reporting period	7,158
7,158	<b>Cash and cash equivalents at the end of the reporting period (note 14)</b>	2,163

**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 2022/23 financial year and its position for the year ended 31 March 2023. 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 2022/23 (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 £15,000;
- the items form a group of assets which individually have a cost of at least £500, collectively have a cost of at least £60,000, where the assets are functionally interdependent, they broadly have simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; and
- the items form part of the initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number

of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

- Where the acquisition or creation of IT systems incorporates both physical hardware and licences to use the system, judgement is made as to whether this will be classified wholly as Property, Plant and Equipment or Intangible Assets, as per the CIPFA Code of Practice on Local Council Accounting.

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

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

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

Land and building assets are valued every 5 years by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Annual impairment reviews are carried out in other years internally. The annual reviews are conducted using the most appropriate information available at the date of the review. A full revaluation was last carried out 31 March 2020 and a desktop valuation was carried out as at 31 March 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 2023/24 are:

- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from Single Transaction (Amendments to IAS 12)
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)

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 2023 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 9)	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

2021/22					2022/23				
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>					
-4,375	0	0	4,375	Charges for depreciation and impairment of non-current assets	-5,564	0	0	5,564	
				Revaluation losses on Property Plant and Equipment					
392	0	0	-392	Capital grants and contributions applied	1,425	0	0	-1,425	
-179	179	0	0	PFI transactions to earmarked reserves	-312	312	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	
-4,162	179	0	3,983		-4,451	312	0	4,139	
				<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>					
3,066	0	0	-3,066	Capital expenditure charged against the General Fund	3,630	0	0	-3,630	
200	0	0	-200		200	0	0	-200	
				<b>Adjustments primarily involving the capital receipts reserve:</b>					
58	0	-60	2	Transfer of cash sale proceeds credited as part of the gain/loss on disposal	-13	0	-24	37	
0	0	189	-189	Contribution from the Capital Receipts Reserve to finance new capital expenditure	0	0	24	-24	
3,324	0	129	-3,453		3,817	0	0	-3,817	
				<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	-33,226	0	0	33,226	
-37,525	0	0	37,525						
11,275	0	0	-11,275	Employer's pension contributions and direct payments to pensioners payable in the year	11,767	0	0	-11,767	
-26,250	0	0	26,250		-21,459	0	0	21,459	
				<b>Adjustment primarily involving the Accumulated Absences Account:</b>					
				Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (note 22)	332	0	0	-332	
170	0	0	-170						
-26,918	179	129	26,610	<b>Total Adjustments:</b>	-21,761	312	0	21,449	

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

2021/22			2022/23			
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
73,703	5,933	79,636	Fire Fighting Services	79,199	-4,591	74,608
<b>73,703</b>	<b>5,933</b>	<b>79,636</b>	Net Cost of Services	<b>79,199</b>	<b>-4,591</b>	<b>74,608</b>
-77,530	20,985	-56,545	Other Income and Expenditure	-79,304	26,352	-52,952
<b>-3,827</b>	<b>26,918</b>	<b>23,091</b>	(Surplus) / Deficit (Note 4 and Note 5)	<b>-105</b>	<b>21,761</b>	<b>21,656</b>
-3,000			Opening General Fund Balance	-3,000		
-3,827			+/- (Surplus) / Deficit on General Fund	-105		
<b>3,827</b>			Transfers to / (from) earmarked reserves	<b>105</b>		
<b>-3,000</b>			<b>Closing General Fund Balance at 31 March</b>	<b>-3,000</b>		

	<b>2022/23</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	2,152	-4,581	-2,162	-4,591
<b>Net Cost of Services</b>	<b>2,152</b>	<b>-4,581</b>	<b>-2,162</b>	<b>-4,591</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	13	26,040	299	26,352
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services</b>	<b>2,165</b>	<b>21,459</b>	<b>-1,863</b>	<b>21,761</b>

	<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>

## Note 5 - EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	<b>2021/22</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Salaries, NI & Superannuation	61,251	65,537
Pensions (ill health)	975	982
Travel & Subsistence	242	464
<b>Total Employee Costs</b>	<b>62,468</b>	<b>66,983</b>
Premises Related Expenses	5,324	5,642
Training Expenses	1,549	1,668
Supplies & Services	5,522	6,247
Transport Related Expenses	1,433	1,601
Contracted Services	958	1,159
Capital Costs / leases	4,101	4,556
Gross Expenditure	81,355	87,856
Income	-7,652	-8,657
<b>(Surplus) / Deficit for the year</b>	<b>73,703</b>	<b>79,199</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	-170	-332
IAS 19 adjustments	26,250	21,459
PFI operating costs	1,331	1,420
Financing adjustment re: PFI /Leases	491	482
Depreciation (Inc impairments)	4,375	5,564
Capital grant	-392	-1,425
Non-current asset disposal	-60	13
Contributions from constituent authorities	-77,530	-79,304
PFI Grant	-1,004	-965

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

CERA	-200	-200
MRP (excluding PFI & Leases)	-2,699	-3,211
Contribution to PFI	-1,004	-1,044

<b>(Surplus) / Deficit on the Provision of Services</b>	<b>23,091</b>	<b>21,656</b>
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**Note 6 - OTHER OPERATING EXPENDITURE AND INCOME**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
-58	Net (Gain)/Loss on disposal of non-current assets	13
<b>-58</b>	<b>Total</b>	<b>13</b>

**Note 7 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
1,587	Interest payable and similar charges	1,524
20,470	Pensions interest cost and expected return on pensions assets	26,040
-10	Interest receivable and similar income	-260
<b>22,047</b>	<b>Total</b>	<b>27,304</b>

**Note 8 - TAXATION AND NON SPECIFIC GRANT INCOME**

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
77,530	Local Authority Contributions (note 29)	79,304
392	Capital Grants & Contributions	1,425
1,004	Government Grants – PFI (note 33)	965
<b>78,926</b>	<b>Total</b>	<b>81,694</b>

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

### Fixed Assets 2022/23

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

Note: all properties with exception of PFI are freehold.

Assets under Construction relate to Electric Vehicle Chargers that we delivered prior to 31<sup>st</sup> March 2023 but were not installed.

An assessment of the implications of changes in BCIS data during 2022/23 determined a material change in building cost and a consequential impact on assets valued in the accounts on a Depreciated Replacement Cost (DRC) basis. Carrying values of DRC asset have been amended to reflect these changes since our last desktop revaluation as at 31.03.2022.

**Fixed Assets 2021/22**

	<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 2021	63,814	36,932	5,890	106,636
Additions	1,164	1,072	0	2,236
Disposal of Assets	0	-529	0	-529
Impairment	1,412	0	515	1,927
Gross book value at 31 March 2022	66,390	37,475	6,405	110,270
<b><u>Depreciation and Impairments</u></b>				
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	-3084
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.

## 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 2022	31 March 2023	31 March 2022	31 March 2023
<b>Borrowing</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities (principal amount)	26,737	25,354	1,409	1,383
+ Accrued Interest (accrued interest is short term)	0	0	163	152
<b>Total borrowings</b>	<b>26,737</b>	<b>25,354</b>	<b>1,572</b>	<b>1,535</b>
<b>PFI liabilities</b>	<b>3,677</b>	<b>3,240</b>	<b>419</b>	<b>437</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	4,783	5,425
<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>200</b>	<b>100</b>	<b>4,738</b>	<b>6,071</b>

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

## 2. Financial instruments Gains/Losses

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

<b>Financial Instruments Gains and Losses</b>				
	2021/22		2022/23	
	Financial Liabilities Measured at amortised cost £000s	Financial Assets Loans and receivables £000s	Financial Liabilities measured at amortised cost £000s	Financial Assets Loans and receivables £000s
Interest expense in Surplus or Deficit on the Provision of Services	<b>1,587</b>	<b>0</b>	<b>1,524</b>	<b>0</b>
Interest income in Surplus or Deficit on the Provision of Services	<b>0</b>	<b>10</b>	<b>0</b>	<b>260</b>
Net gain/(loss) for the year	<b>1,587</b>	<b>10</b>	<b>1,524</b>	<b>260</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 22 £000's	Actual 31 March 23 £000's
Less than 1 year	0%	25%	1,409	1,383
Between 1 and 2 years	0%	30%	1,383	1,395
Between 2 and 5 years	0%	50%	4,616	4,525
Between 5 and 10 years	0%	70%	8,638	9,334
More than 10years	0%	95%	12,100	10,100
<b>Total</b>			<b>28,146</b>	<b>26,737</b>

The debt portfolio comprises of PWLB Equal Installment of Principal (EIP) and Maturity loans. The loans outstanding at the balance sheet date is £26.7 million with an average debt rate equating to 3.80%.

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

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

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

- ✓ For loans receivable (of which there are none), the prevailing benchmark market rates would be used to provide the fair value;
- ✓ No early repayment or impairment is recognised;
- ✓ Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- ✓ The fair value of trade and other receivables is taken to be the invoiced or billed amount.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Fair values pertaining to loans are as follows:

	£000s	31 March 2022		31 March 2023	
		Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt		28,139	30,834	26,737	25,500
Non-PWLB debt		7	7	0	0
<b>Total debt</b>		<b>28,146</b>	<b>30,841</b>	<b>26,737</b>	<b>25,500</b>

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

## Note 12 - SHORT TERM INVESTMENTS

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

## Note 13 - DEBTORS

31 March 2022		31 March 2023	
£000		£000	
2,638	Central Government Bodies	3,168	
1,058	Other Local Authorities*	1,415	
20	NHS Bodies	63	
1,222	Other Entities and Individuals	1,525	
<b>4,938</b>	<b>Total</b>	<b>6,171</b>	

\* Includes long term debtors of £200k for 21/22 and £100k for 22/23.

**Note 14 - CASH & CASH EQUIVALENTS**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
7,158	Bank current accounts	2,163
<u>7,158</u>	<b>Total</b>	<u>2,163</u>

**Note 15 - CREDITORS**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
1,463	Central government bodies	1,482
595	Other local authorities	333
15	NHS Bodies	22
34	Public Corporations and Trading Funds	0
1,302	Other Entities and Individuals	2,805
259	Receipts in Advance	0
1,115	Accumulated Absences (note 22)	783
<u>4,783</u>	<b>Total</b>	<u>5,425</u>

**Note 16 - PROVISIONS**

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
38	Part time worker regulations	38
<u>38</u>	<b>Total</b>	<u>38</u>

**Note 17 - USABLE RESERVES**

<b>Balance at 1 April 2021</b>	<b>Transfers Out 2021/22</b>	<b>Transfers In 2021/22</b>	<b>Balance at 31 March 2022</b>		<b>Transfers Out 2022/23</b>	<b>Transfers In 2022/23</b>	<b>Balance at 31 March 2023</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>6,400</b>	-72	3,927	<b>10,255</b>	Change Management Reserve	-7,437	276	<b>3,094</b>
<b>400</b>	-100	0	<b>300</b>	Joint Control Lease Reserve	-100	0	<b>200</b>
<b>3,683</b>	-179	0	<b>3,504</b>	PFI Equalisation Reserve	-312	0	<b>3,192</b>
<b>43</b>	0	72	<b>115</b>	Managed Under Spend Reserve	-71	97	<b>141</b>
<b>0</b>	0	0	<b>0</b>	Cultural Review Reserve	0	340	<b>340</b>
<b>0</b>	0	0	<b>0</b>	Carbon Reduction Reserve	0	3,000	<b>3,000</b>
<b>0</b>	0	0	<b>0</b>	Equality, Diversity and Inclusion Reserve	0	2,000	<b>2,000</b>
<b>0</b>	0	0	<b>0</b>	Equipment Renewals Reserve	0	2,000	<b>2,000</b>
<b>129</b>	-189	60	<b>0</b>	Capital Receipts	-24	24	<b>0</b>
<b>3,000</b>	-3,827	3,827	<b>3,000</b>	General Fund	-105	105	<b>3,000</b>
<b>13,655</b>	<b>-4,367</b>	<b>7,886</b>	<b>17,174</b>	<b>Total Usable Reserves</b>	<b>-8,049</b>	<b>7,842</b>	<b>16,967</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. In addition, any projects completed during 2022/23, along with those forecast for completion during 2023/24, have been transferred from and to, respectively, the managed underspend reserve. Balances have also been transferred from change management reserves to the newly established reserves to support the strategies outlined in each area.
- The balance remaining on the Joint Public Service Centre lease which is payable over 8 years, commencing from 2017/18, is shown as a separate reserve.
- The PFI equalisation reserve exists to ensure the necessary funds are available to accommodate future payments to the PFI provider.
- £97k has been transferred from the change management reserve to the managed under spend reserve as detailed above, with £71k being transferred to the change management reserve for projects completed in 2022/23.
- The cultural review reserve has been established to accommodate costs set out as part of the Independent Cultural Review process across the service.
- The carbon reduction reserve has been established to achieve aims set out in the Carbon Delivery Plan 2020-2030.
- The equality, diversity and inclusion reserve has been established to support the framework to promote in-house equality, diversity and good practice.
- The equipment renewals reserves has been established to level out variances in the required annual provisions for replacement.
- Capital receipts are ring fenced to fund capital investment with £24k received during the year and used against capital expenditure.

### General Fund

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

### Note 18 - UNUSABLE RESERVES

<b>31 March 2022</b>		<b>31 March 2023</b>
<b>£000</b>		<b>£000</b>
-18,492	Revaluation Reserve (note 19)	-24,142
-26,627	Capital Adjustment Account (note 20)	-26,650
987,073	Pensions Reserve (note 21)	683,932
1,115	Accumulated Absence Reserve (note 22)	783
<b>943,069</b>	<b>Total Unusable Reserves</b>	<b>633,923</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.

2021/22		2022/23
£000		£000
-13,770	<b>Balance at 1 April</b>	-18,492
-5,319	Revaluation Adjustment	-5,995
420	Impairment adjustment	0
177	Difference in fair value and historical cost depreciation	345
<u>-18,492</u>	<b>Balance at 31 March</b>	<u>-24,142</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.

2021/22 £000	<b>Capital Adjustment Account</b>	2022/23 £000
<b>-26,980</b>	<b>Balance as at 1 April</b>	<b>-26,627</b>
-3,066	MRP (note 30)	-3,630
4,123	Depreciation (net of revaluation)	4,617
-627	Revaluation	0
702	Non-enhancing Expenditure	602
-200	Capital expenditure financed from revenue resources (CERA) (note 30)	-200
-392	Capital Grants (note 30)	-1,425
2	Net non-current asset disposal	37
-189	Assets funded by Capital Receipts	-24
<b>-26,627</b>		<b>-26,650</b>

### Note 21 - PENSIONS RESERVE

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

2021/22 £000		2022/23 £000
<b>1,021,493</b>	<b>Balance at 1 April</b>	<b>987,073</b>
-60,670	Remeasurements of the net defined benefit liability (asset)	-324,600
37,525	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	33,226
-11,275	Employer's pensions contributions and direct payments to pensioners payable in the year	-11,767
<b>987,073</b>	<b>Balance at 31 March</b>	<b>683,932</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>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>-1,285</b>	<b>Balance at 1 April</b>	<b>-1,115</b>
1,285	Settlement or cancellation of accrual made at the end of the preceding year	1,115
1,115	Amounts accrued at the end of the current year (note 15)	783
170	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)	332
<b>-1,115</b>	<b>Balance at 31 March</b>	<b>-783</b>

**Note 23 - CASH FLOW STATEMENT – OPERATING ACTIVITIES**

2021/22 £000		2022/23 £000
<b>23,091</b>	<b>Net Deficit on the Provision of Services</b>	<b>21,656</b>
	<b>Adjustments to Net Deficit for Non Cash Movements;</b>	
-83	Increases/(Decrease) in stock	111
-2,379	Increase/(Decrease) in debtors	1,233
2,292	(Increase)/Decrease in creditors	-389
-4,375	Depreciation charge (inc impairment)	-5,564
58	Gain on asset disposal	-13
-26,250	IAS 19 adjustments	-21,459
170	Other non cash-items charged to the net deficit on the provision of services	332
<b>-30,567</b>	<b>Less Total</b>	<b>-25,749</b>
	<b>Adjustments for items included in the net deficit on the Provision of Services that are Investing and Financing Activities;</b>	
-1,587	Interest Payable	-1,524
10	Interest Receivable	260
392	Capital Grants	1,425
<b>-1,185</b>	<b>Less Total</b>	<b>161</b>
<b>-8,661</b>	<b>Net Cash Flow from Operating Activity</b>	<b>-3,932</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
2,289	Purchase of property, plant and equipment, investment property and intangible assets	7,274
-60	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-24
-392	Capital Grants received	-1,458
<b>1,837</b>	<b>Net cash (in)/outflow from investing activities</b>	<b>5,792</b>
0	Cash Receipts from short & long term borrowing	0
-8	Other receipts from financing activities	-227
365	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	419
916	Repayments of short and long-term borrowing	1,409
1,591	Other payments for financing activities	1,534
<b>2,864</b>	<b>Net cash (in)/outflow from financing activities</b>	<b>3,135</b>

**Note 25 - MEMBERS' ALLOWANCES**

During 2022/23, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
69	Total of members' allowances	74
0	Total of members' expenses	2
<b>69</b>	<b>Total</b>	<b>76</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	Taxable Expenses £000	*Benefits in Kind £000	Total Excluding Pension £000	Employers Pension £000	Gross remuneration £000
Chief Fire Officer	2022/23	145	0	0	145	39	184
	2021/22	140	0	0	140	38	178
Deputy Chief Officer**	2022/23	33	0	0	33	2	35
	2021/22	106	0	0	106	16	122
Asst Chief Fire Officer Service Delivery (A) / DCFO (B) *****	2022/23	114	0	0	114	30	144
	2021/22	105	0	0	105	31	136
Asst Chief Fire Officer Service Delivery (B) / Technical Services (C)*****	2022/23	39	0	0	39	9	48
	2021/22	0	0	0	0	0	0
Asst Chief Officer Corporate Services****	2022/23	90	0	0	90	14	104
	2021/22	71	0	2	73	11	84
Asst Chief Fire Officer Technical Services (A) / DCFO (A)***	2022/23	97	0	0	97	27	124
	2021/22	109	0	0	109	29	138
Asst Chief Officer People Services	2022/23	90	0	5	95	14	109
	2021/22	87	0	5	92	13	105
Treasurer	2022/23	29	0	0	29	4	33
	2021/22	28	0	0	28	4	32
Asst Chief Fire Officer Technical Services (B) / Industrial Action*****	2022/23	92	0	0	92	19	111
	2021/22	0	0	0	0	0	0

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

\*\* DCO Ill Health retirement 16/05/22 - includes pay in lieu of notice.

In 2021, whilst the DCO was on long term sickness, the DCO role was temporarily covered by splitting the role into operational (Uniformed/DCFO) and corporate responsibilities (Un-uniformed/ACO). Appointments to these roles were made on 06/09/21 and 07/06/21, respectively. The temporary DCFO maintained his current role responsibilities alongside the additional responsibilities of the DCFO. On 10/10/22, the ACO role was made permanent and the DCO role was replaced within the structure by the ACO – Corporate Services.

\*\*\* Assistant Chief Fire Officer Technical Services/DCFO (A)

- undertook DCFO duties from 06/09/21 – 05/07/22

- commenced sickness leave between 23/05/22 – 06/07/22, the DCFO post was covered by Asst Chief Fire Officer Service Delivery (A) / DCFO (B).

- Reverted back to ACFO TS on 06/07/23 but remained on sickness leave until 08/11/22

- Commenced a second sickness leave from 22/12/22 – Present, they have been covered by ACFO TS (B) on the below dates and are currently being covered by ACFO TS (C)

\*\*\*\* ACO Corporate Services

- Covered ACO (Corporate) responsibilities of the DCO role 07/06/21 – 09/10/22. ACO role was made permanent on 10/10/22

\*\*\*\*\* Asst Chief Fire Officer Technical Services (B)

- Provided temporary cover of ACFO TS (A) duties from 01/06/22 – 15/01/23

- transitioned to the temporary ACFO Industrial Action (IA) post 16/01/23 – Present

\*\*\*\*\* Asst Chief Fire Officer Service Delivery (B) / Technical Services (C)

- Provided cover for SD (A) between 19/04/22 – 14/06/22

- Provided sickness cover for ACFO TS (A) from 16/01/23 – Present

\*\*\*\*\* Asst Chief Fire Officer Service Delivery (A) / DCFO (B)

- commenced temporary cover of DCFO post 07/07/22 - Present.

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

Salary Bracket	Number 2021/22	Number 2022/23
£60,000 to £64,999	12	13
£65,000 to £69,999	11	11
£70,000 to £74,999	1	2
£75,000 to £79,999	1	0
£80,000 to £84,999	2	1
£85,000 to £89,999	3	1
£90,000 to £94,999	0	2
£95,000 to £99,999	0	2
£100,000 to £104,999	0	0
£105,000 to £109,999	3	1
£110,000 to £114,999	0	0
£115,000 to £119,999	0	1
£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	0
£145,000 to £149,999	0	1

Remuneration includes all sums paid to/receivable by an employee, expense allowances chargeable to tax and the money value of benefits. The above data 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 2022/23 is £33k and the ratio of the CFO remuneration to the median remuneration is 4.46:1.

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

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.

Exit Package cost band	2021/22				2022/23			
	Number of compulsory Redundancies	Number of Other Departures agreed	Total number of Exit Packages in each Cost band	Total cost of packages in each Cost Band £000	Number of compulsory Redundancies	Number of Other Departures agreed	Total number of Exit Packages in each Cost band	Total cost of packages in each Cost Band £000
£0 - £20,000	0	0	0	0	0	1	1	20
£20,001 - £40,000	0	0	0	0	0	1	1	28
<b>Total Cost</b>	0	0	0	0	0	2	2	48

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



**Note 27 - EXTERNAL AUDIT COSTS**

<b>2020/2021</b>		<b>2022/2023</b>
<b>£000</b>		<b>£000</b>
75	Current year fees paid / due to the Auditor General for Wales	84
<b>75</b>	<b>Total</b>	<b>84</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).

<b>2021/22</b>	<b>Revenue</b>	<b>2022/23</b>
<b>£000</b>		<b>£000</b>
618	Community Risk Reduction (WG)	606
1,637	New Dimensions and USAR Funding (WG)	1,353
110	MTA (WG)	265
374	Other*	122
632	Fire Link (WG)	632
28	Anti-Social Behaviour	31
0	Natural Resources Wales	22
4	Circular Economy (WG)	4
2,950	SCAPE (WG)	2,947
42	WAST Volunteers	0
207	Covid-19 (WG)	0
232	FF Apprentices	350
14	AFAN Project	3
12	NFCC	21
17	D20, C-19 & Winter Pressures	0
5	Aneurin Bevan UHB	0
6	Cardiff & Vale UHB	1
0	Wales & West Utilities	2
0	Hafod	13
<b>6,888</b>		<b>6,372</b>

2021/22	Capital	2022/23
£000		£000
308	NR – USAR Property Build (WG)	990
0	DIM Electric Vehicles (WG)	102
0	DIM Detection Equipment (WG)	165
21	NR – Vehicle (WG)	0
63	Energy Efficiency (WG)	156
0	Low Carbon Heat Development (WG)	12
<b>392</b>		<b>1,425</b>

\* Other grants (external funding) comprises 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, 2023	
	Income	Expenditure	Owed to Authority (Debtor)	Owed by Authority (Creditor)
	£000	£000	£000	£000
Blaenau Gwent CBC	3,548	6	0	0
Bridgend CBC	7,544	0	0	0
Caerphilly CBC	9,287	7	0	0
Cardiff CC	18,776	39	0	2
Merthyr Tydfil CBC	3,107	3	0	0
Monmouthshire CC	4,871	9	0	0
Newport CBC	8,067	126	0	0
Rhondda Cynon Taf CBC	12,385	193	0	9
Torfaen CBC	4,801	4	0	0
The Vale of Glamorgan CBC	6,918	12	0	0
	<b>79,304</b>	<b>399</b>	<b>0</b>	<b>11</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, 2023	
			Income £	Expenditure £	Owed to Authority (Debtor) £	Owed by Authority (Creditor) £
Aneurin Bevan Health Board	FAPM Member-Nominee	19	0	60,444	0	0
Gwent Police	Deputy Chief Officer - Spouse	3	0	38,464	0	0
Miss Tilley's	Deputy Chief Officer - Friend	48	0	2,554	0	0
St.Johns's	Deputy Chief Officer - Spouse	3	0	936	0	0
Cardiff University	Ex-member	1	0	250	0	0
Garnic Farm	Budget Holder - Friend	7	0	4,000	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	2021/22		2022/23	
	Joint Operation Total	SWFRS Share	Joint Operation Total	SWFRS Share
<b>Revenue</b>				
Staff Expenditure	2,531	1,519	2,690	1,614
Non-Staff Expenditure	110	55	128	64
<b>Total Expenditure</b>	<b>2,641</b>	<b>1,574</b>	<b>2,818</b>	<b>1,678</b>
<b>Intangible Asset - Command &amp; Control System</b>				
Gross Book Value	308	154	308	154
Accumulated Amortisation	(258)	(129)	(308)	(154)
<b>Net Book Value</b>	<b>50</b>	<b>25</b>	<b>0</b>	<b>0</b>

The authority also has a long-term debtor of £100k 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

2021/22		2022/23
£000		£000
<b>41,630</b>	<i>Opening Capital Financing Requirement (CFR)</i>	<b>40,226</b>
2,443	Property, Plant and Equipment investment	7,857
<b>2,443</b>	<b>Total Additions</b>	<b>7,857</b>
	<i>Sources of finance</i>	
-392	Government grants and other contributions (note 28)	-1,425
0	Sums set aside from revenue (note 20)	0
-200	Direct revenue contributions (note 20)	-200
-189	Capital Receipts	-24
-3,066	MRP/loans fund principal (note 20)	-3,630
<b>40,226</b>	<b>Closing Capital Financing Requirement (CFR)</b>	<b>42,804</b>
	<i>Increase in underlying need to borrow</i>	
<b>-1,404</b>	<b>Increase/(Decrease) in CFR</b>	<b>2,578</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:

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
200	Revenue contribution (note 30)	200
392	Grant funding (note 28)	1,425
1,662	Internal Borrowing	6,208
189	Capital Receipts	24
<b>2,443</b>	<b>Total</b>	<b>7,857</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 2023 for future periods equates to £5.083m (2021/22: £5.668m). 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 2023, the balance on the PFI equalisation earmarked reserve is £3.192 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	2021/22			Payable	
	£'000	2022/23	2023/24	2 - 5 years £'000	6 - 10 years £'000
Unitary Charge					
Service Charge	1,331	1,420	1,401	6,795	3,529
Interest	491	482	450	1,370	868
Finance Lease	365	419	437	1,534	1,704
	2,187	2,321	2,288	9,699	6,101
Grant Funding	-1,004	-965	-926	-3,311	-1,756
Fire Authority Contribution	-1,004	-1,044	-1,075	-4,635	-3,193
Net contribution to equalisation	179	312	287	1,753	1,152
Equalisation Account					
O/balance	-3,683	-3,504	-3,192	-2,905	-1,152
	179	312	287	1,753	1,152
C/balance	-3,504	-3,192	-2,905	-1,152	-0
Liability @ 31 March					
Short Term	419	437	91	638	0
Long Term	3,677	3,240	3,149	1,068	0
	4,096	3,677	3,240	1,706	0

### Note 34 - PENSIONS (IAS 19)

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

In 2022/23 the Authority paid employer pension contributions of £1.47 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 2023/24 are estimated to be £1.533 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 2022/23 the Authority paid employer pension contributions of £9.274 million. Pensions paid from revenues equated to £982k. For 2023/24, the employer contribution to the scheme is estimated to be £9.859 million and the current estimate for pensions paid from revenue is £856k. 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.

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

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

In accordance with the requirements of International Accounting Standard No 19 – Retirement Benefits (IAS19) the 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 asset to the Authority as at 31 March 2023 was £2.7 million (*31 March 2022, £24 million net liability*) and for the Fire Fighters' schemes the liability was £687 million as at 31 March 2023 (*31 March 2022, £963 million*). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found overleaf.

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

There was also a further court ruling on 20 November 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.



2021/22 £000	Movements on Pension Reserve	2022/23 £000
	Income and Expenditure Account	
	<b>Net Cost of Service</b>	
	Current Service Cost	
-25,870	- Fire Fighters	-18,210
-4,520	- Local Government Pension Scheme	-4,290
	Past Service Cost	
0	- Fire Fighters	0
0	- * Local Government Pension Scheme	0
13,335	Top Up Grant	15,320
	<b>Net Operating Expenditure</b>	
	Interest Cost	
-19,830	- Fire Fighters	-25,410
-2,450	- Local Government Pension Scheme	-3,040
	Expected Return on Pension Assets	
0	- Fire Fighters	0
1,810	- Local Government Pension Scheme	2,404
<b>-37,525</b>	<b>Total Post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>-33,226</b>
	Remeasurements of the net defined benefit liability (asset)	
50,110	- Fire Fighters	294,200
10,560	- * Local Government Pension Scheme	30,400
<b>23,145</b>	<b>Total Post-employment benefit (charged)/credited to the C.I.E.S</b>	<b>291,374</b>
	<b>Movement on Reserve Statement</b>	
1,021,493	Opening Balance 1 April	987,073
-23,145	Reversal of Net Charges for IAS 19	-291,374
	Actual Amount Charged against the General Fund	
	Balance for pensions in the year	
	Employer Contributions	
-9,224	Fire Fighters	-9,607
-1,420	Local Government Pension Scheme	-1,510
-631	Retirement benefits paid to Fire Fighters	-650
0	Transfers in	0
<b>-34,420</b>	<b>Movement on Pension Reserve</b>	<b>-303,141</b>
<b>987,073</b>	<b>Closing Balance</b>	<b>683,932</b>

\*The LGPS movements on pension reserve are inclusive of unfunded pension benefits arrangements;  
2022/23 – Interest cost of £10k, actuarial gain of £60k and net benefits paid out £40k

## Pension Schemes – Assets / Liabilities

The Authority's estimated share of assets and liabilities from 31 March 2019 to 31 March 2023 were as follows:

	31 March				
	2019	2020	2021	2022	2023
Estimated share of liabilities in the Fire Fighters' Pension Scheme	-947,849	-885,690	-990,340	-962,740	-686,590
Estimated share of liabilities in the Rhondda Cynon Taff Pension Fund	-91,335	-91,164	-117,564	-113,865	-79,995
<b>Total liabilities</b>	<b>-1,039,184</b>	<b>-976,854</b>	<b>-1,107,904</b>	<b>-1,076,605</b>	<b>-766,585</b>
Share of assets in the Rhondda Cynon Taff Pension Fund	67,310	65,230	86,411	89,532	82,653
<b>Net Pension Deficit</b>	<b>-971,874</b>	<b>-911,624</b>	<b>-1,021,493</b>	<b>-987,073</b>	<b>-683,932</b>

	2019	2020	2021	2022	2023
Fire Fighters' Pension Scheme	-947,849	-885,690	-990,340	-962,740	-686,590
Rhondda Cynon Taff Pension Fund	-24,025	-25,934	-31,153	-24,333	2,658
<b>Net Pension Deficit</b>	<b>-971,874</b>	<b>-911,624</b>	<b>-1,021,493</b>	<b>-987,073</b>	<b>-683,932</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	
	2022 %	2023 %	2022 %	2023 %
Rate of Inflation;				
CPI	3	2.6	3	2.7
Rate of increase in Salaries	4.75	3.85	4.25	3.95
Rate of Increase in Pensions	3	2.6	3	2.7
Rate of Discounting Scheme Liabilities	2.65	4.65	2.7	4.7
Future Life Expectancy at 65				
Men				
Current Pensioners	21.5	21.2	21.6	21.6
Future Pensioners	23.2	22.9	22.6	22.9
Women				
Current Pensioners	21.5	21.2	23.9	24.2
Future Pensioners	23.2	22.9	25.4	25.7

## 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)	78.10	80.96
% change in present value of total obligation	-1.8%	1.8%
Projected service cost (£m)	1.88	2.04
Approximate % change in projected service cost	-3.9%	4.0%

### Rate of general increase in salaries

<b>Adjustment to salary increase rate</b>	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of total obligation (£m)	79.69	79.37
% change in present value of total obligation	0.2%	-0.2%
Projected service cost (£m)	1.96	1.96
Approximate % change in projected service cost	0.0%	0.0%

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

<b>Adjustment to discount rate</b>	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of total obligation (£m)	80.80	78.34
% change in present value of total obligation	1.6%	-1.5%
Projected service cost (£m)	2.04	1.88
Approximate % change in projected service cost	4.0%	-3.9%

### Post retirement mortality assumption

<b>Adjustment to discount rate</b>	<b>-1 year</b>	<b>+1 year</b>
Present value of total obligation (£m)	81.60	77.46
% change in present value of total obligation	2.6%	-2.6%
Projected service cost (£m)	2.03	1.89
Approximate % change in projected service cost	3.5%	-3.5%

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

<b>Impact on defined benefit obligation</b>	<b>%</b>	<b>£ million</b>
Rate of discounting scheme liabilities +0.5%p.a.	-7.5%	-51
Long term rate of increase in salaries +0.5% p.a.	1.0%	8
Rate of increase in pensions / deferred revaluation +0.5% p.a.	7.0%	47
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	2.5%	17

## Assets

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

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

<b>Plan Asset Split</b>	<b>%</b>
<b>2023</b>	
Equity Investments	68.1
Bonds	22.9
Property	7.8
Cash	0.7
Other Assets	0.5
<b>Total</b>	<b>100.0</b>
<b>2022</b>	
Equity Investments	67.4
Bonds	24.9
Property	7.3
Cash	0.4
Other Assets	0
<b>Total</b>	<b>100.0</b>

The overall return on pension assets was -6.2% for 22/23 (2021/22: 3.9%).

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

<b>2021/22</b> <b>£000</b> <b>Fire</b> <b>Fighters</b>	<b>2021/22</b> <b>£000</b> <b>LGPS</b>	<b>Liabilities</b>	<b>2022/23</b> <b>£000</b> <b>Fire</b> <b>Fighters</b>	<b>2022/23</b> <b>£000</b> <b>LGPS</b>
<b>-990,340</b>	<b>-117,564</b>	<b>Balance as at 1 April</b>	<b>-962,740</b>	<b>-113,865</b>
-25,870	-4,520	Current Service cost	-18,210	-4,290
-19,830	-2,450	Interest	-25,410	-3,040
-4,290	-610	Contributions by scheme members	-4,520	-640
50,110	8,989	Actuarial Gains and Losses	294,200	39,240
28,480	2,290	Benefits Paid	30,390	2,600
0	0	Past Service Cost	0	0
-1,000	0	Transfers in	-300	0
<b>-962,740</b>	<b>-113,865</b>	<b>Pension Liabilities at Year End</b>	<b>-686,590</b>	<b>-79,995</b>

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

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>	<b>Assets</b>	<b>£000</b>
<b>LGPS</b>		<b>LGPS</b>
<b>86,411</b>	<b>Balance 1 April</b>	<b>89,532</b>
1,810	Return on Pension Assets	2,404
1,571	Actuarial Gain/Losses on Assets	-8,833
1,420	Contributions by employer	1,510
610	Contributions by Scheme members	640
-2,290	Net benefits paid out*	-2,600
<b>89,532</b>	<b>Pension Assets at Year End</b>	<b>82,653</b>

\* Consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses. Excluding £40k unfunded pension payments.

**Actual return on assets**

	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£ Million</b>	<b>£ Million</b>
Interest income on assets	1.81	2.41
Re-measurement gain/ (loss) on assets	1.57	-8.84
Actual return on assets	3.38	-6.43

**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 a number of 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 2023.

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 launched during February 2023. An exercise to correct this will commence following legislative changes in October 2023. 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 a Court of Appeal hearing, 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 this discrimination across the UK public sector pension schemes including the Firefighters' Pension Scheme. 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, for those that meet the criteria, until Remediable Service Statements have been provided to all members. The Service has 18 months post October 2023 to ensure that these have been communicated.

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.

Following recent adverse press coverage of a number of historical disciplinary cases, the Authority has launched an Independent Culture Review. It is not clear at this time whether any of these represent a risk in terms of legal action or financial liability.

### **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)

<b>2021/2022</b>		<b>2022/2023</b>
<b>£000</b>	<b>Income to the fund</b>	<b>£000</b>
	Contributions receivable:	
	from employer	
-8,880	normal contributions	-9,274
-344	other contributions	-332
-4,200	from members	-4,424
-93	Past service contributions (retained modified scheme)	-98
<u>-13,517</u>		<u>-14,128</u>
-1,065	Transfers in from other pension funds	-298
<b>-14,582</b>	<b>Total Income to the Fund</b>	<b>-14,426</b>
	<b>Spending by the Fund</b>	
	Benefits Payable:	
22,140	Pension payments	23,420
5,511	Pension commutations and lump-sum retirement benefits	6,190
198	Other Payments	110
<u>27,849</u>		<u>29,720</u>
	Payments to and on account of leavers:	
0	Transfers out to other authorities	0
<u>27,849</u>	<b>Total Spending by the Fund</b>	<u>29,720</u>
<b>13,267</b>	Net amount payable for the year	<b>15,294</b>
-13,267	Annual top up grant receivable from Welsh Government	-15,294
<u><u>0</u></u>	Net amount payable for the year	<u><u>0</u></u>



2021/2022 £000	<b>Net Asset Statement</b>	2022/2023 £000
1,142	Current Assets;	
<u>1,142</u>	Top up grant due from Welsh Government	<u>1,791</u>
		<b>1,791</b>
	Current Liabilities;	
-14	Commutations due to pensioners	-23
<u>-1,128</u>	Amount owed to general fund	<u>-1,768</u>
		<b>0</b>
<u><b>0</b></u>		<u><b>0</b></u>

## NOTES TO THE FIRE FIGHTERS' PENSION FUND ACCOUNT

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

Following a recent age discrimination court case, 1<sup>st</sup> April 2022 saw the closure of the active 1992, 2006 and Retained Modified Fire Fighters' Pension Schemes and all active members (current employees) transferred into the 2015 pension scheme.

Employee and employer (the 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 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 2022/23 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 2022/23 a total of 69 (including 11 deferred members) Fire Fighters retired compared to the estimate of 48. At the year end WG was a debtor to the Pension Fund with a value of £1.791 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 2015 Scheme was 27.3%. Employee rates are determined by a tiered system according to salary bands with higher earners contributing at a higher rate relative to their salary, i.e. rates start at 8.5% and end at 17% for the current period.

## Audit of Accounts Report – South Wales Fire and Rescue Authority

Audit year: 2022-23

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

## Audit of Accounts Report

Introduction	4
Proposed audit opinion	4
Significant issues arising from the audit	4
Recommendations	5
Appendices	
Appendix 1 – Final Letter of Representation	6
Appendix 2 – Proposed Audit Report	9
Appendix 3 – Summary of Corrections Made	14

# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2022-23 accounts in this report.
- 2 We have already discussed these issues with the Treasurer and his team.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £2.24 million for this year's audit of the accounts and £0.594m for the Fire Fighters Pension Fund.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Senior Officer remuneration - £1,000
  - Senior Officer/Member Related Party Transactions - £10,000
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Proposed audit opinion

- 8 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**. The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards.
- 9 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 10 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 11 There are no misstatements identified in the accounts, which remain uncorrected.

## Corrected misstatements

- 12 There were initially misstatements and disclosure errors in the draft accounts that have now been corrected by management and have no impact on the Authority's reported net expenditure. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

## Other significant issues arising from the audit

- 13 During the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no significant issues arising in these areas this year.

## Recommendations

- 14 Following the audit certification by the Auditor General, we will continue to work with the Authority's finance team to further improve the accounts production process for 2023-24. There are no issues or recommendations that are sufficiently significant to warrant bringing to your attention.

# Appendix 1

## Final Letter of Representation

### Audited body's letterhead

Auditor General for Wales  
Wales Audit Office  
1 Capital Quarter  
Tyndall Street  
Cardiff  
CF10 4BZ

4 December 2023

### Representations regarding the 2022-23 financial statements

This letter is provided in connection with your audit of the financial statements of South Wales Fire and Rescue Authority for the year ended 31 March 2023, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and Code of Practice on Local Authority Accounting in the United Kingdom 2022-23; in particular the financial statements give a true and fair view in accordance therewith;
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;



- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence;
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- our knowledge of fraud or suspected fraud that we are aware of and that affects South Wales Fire and Rescue Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements;
- our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- the identity of all related parties and all the related party relationships and transactions of which we are aware;

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## Representations by the Finance, Audit and Performance Management Committee

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by South Wales Fire and Rescue Authority on 04 December 2023.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Officer who signs on behalf of  
management

Officer or Member who signs on behalf  
of those charged with governance

Date: 4 December 2023

Date: 4 December 2023

# Appendix 2

## Proposed Audit Report

### The 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 2023 under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23.

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

- give a true and fair view of the financial position of South Wales Fire and Rescue Authority and the South Wales Fire and Rescue Authority Firefighters Pension Fund as at 31 March 2023 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 2022-23.

#### Basis for opinion

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

My staff and I are independent of the South Wales Fire and Rescue Authority in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

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

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

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

## Other Information

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

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

I have nothing to report in this regard.

## Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022-23;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with guidance.

## Matters on which I report by exception

In the light of the knowledge and understanding of South Wales Fire and Rescue Authority and South Wales Fire and Rescue Authority Firefighter's Pension Fund and its

environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Annual Governance Statement.

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

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

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

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

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

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

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

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

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

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

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

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

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

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

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

Adrian Crompton  
Auditor General for Wales  
Date:

1 Capital Quarter  
Tyndall Street  
Cardiff CF10 4BZ

## Appendix 4

### Summary of Corrections Made

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

#### Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£5,995,000	<p><b>Note 9 Plant, Property, Equipment</b> Assets valued on a depreciated replacement cost basis had not been revalued in the year to reflect the increase in build costs and hence asset values over the last year.</p> <p>There were corresponding adjustments to primary statements, other notes and associated narrative disclosures.</p>	To correctly disclose the value of fixed assets in line with Code requirements.
£602,000	<p><b>Note 20 Capital Adjustment Account</b> Non-enhancing capital expenditure had been incorrectly disclosed as impairments.</p>	To correctly disclose non-enhancing capital expenditure.
£2,000	<p><b>Note 26 Officers' Remuneration</b> The remuneration disclosed for the 'Asst Chief Fire Officer Service Delivery (B) / Technical Services (C)' was higher than the salary paid for the period they held a Senior Officer position.</p>	To correctly disclose the remuneration of senior officers
Disclosure only	<p><b>Note 29 Related Party Disclosures</b> The number and value of transactions disclosed with some related parties was misstated.</p>	To correctly disclose the number and value of related party transactions.



Value of correction	Nature of correction	Reason for correction
Disclosure only	<b>Cash Flow Statement and Notes 23 and 24</b> Cashflow transactions were not consistent with other statements or supporting notes.	To correctly disclose cashflow movements.

There have also been a number of minor amendments and disclosure updates as a result of our work.



Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

We welcome correspondence and telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

**THIS REPORT IS NOT EXEMPT AND IN THE PUBLIC DOMAIN**

**SOUTH WALES FIRE & RESCUE AUTHORITY**

AGENDA ITEM NO 10  
4 DECEMBER 2023

FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE

REPORT OF THE ACO CORPORATE SERVICES

**INTERNAL AUDIT PROGRESS REPORT & AUDIT ACTION UPDATES**

**THIS REPORT IS FOR INFORMATION**

REPORT APPROVED BY ACO CORPORATE SERVICES

REPORT PRESENTED BY TEMP HEAD OF FINANCE, PROCUREMENT & PROPERTY

**SUMMARY**

This report updates Members upon progress being made against the Internal Audit Plans for 2022/23 and 2023/2024.

**RECOMMENDATIONS**

Members are asked to note the internal audit recommendations and work completed to date on the Internal Audit Annual Plan.

**1. BACKGROUND**

- 1.1 TIAA Limited have been appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Plan as approved by the FAPM Committee.
- 1.2 As previously agreed, all audit reports with an assurance level of limited or no assurance will be provided in full. Recommendations only will be provided for reports with an assurance level of substantial or reasonable.

**2. ISSUES**

- 2.1 The areas of the internal annual audit plan that were completed with 1 final reports being issued and attached as appendices, are as follows:-

- **Pensions**

The Summary Internal Controls Progress Assurance (SICA) Report written by TIAA limited is attached as an appendix.

## 2.2 Pensions

2.2.1 The review considered the arrangements for the management and control of the administration of pensions.

2.2.2 The key findings are as follows:-

- Appropriate arrangements are in place for the management and control of the administration of pension contributions and submitting information to the pension administrators, Rhondda Cynon Taff County Borough Council.
- Testing performed for starters, leavers, post changes, and employees who have opted out found that pensions processes are operating effectively and in compliance with procedures.
- Monitoring and reporting processes are operating effectively through the appropriate governance channels.
- No Urgent, Important or Routine recommendations have been made.

## 3. IMPLICATIONS

### 3.1 Community and Environment

Equality, Diversity and Inclusion	No
Welsh Language	No
Wellbeing of Future Generations (Wales) Act 2015	No
Socio Economic Duty	No
Sustainability/Environment/Carbon Reduction	No
Safeguarding	No
Consultation and Communications	No
Consultation with Representative Bodies	No
Impact Assessment	No

### 3.2 Regulatory, Strategy and Policy

Legal	No	Data Protection / Privacy	No
Financial	No	Health, Safety and Wellbeing	No
Procurement	No	Governance & Audit	Yes
Corporate Risk	No	Service Policy	No
Information Management	No	National Policy	No

3.2.1 This report has been produced in accordance with the annual internal audit programme in discharging the Service's obligations for governance. Internal audit provides a system of control and assurance that provides oversight and assists the Service in achieving both compliance and maintaining standards.

### 3.3 Resources, Assets and Delivery

Human Resource and People Development	No
Assets and Resources (Property/Fleet/ICT/Equipment)	No
Service Delivery	No
Procurement	No
Budget Revenue/Capital	No

## 4. EVALUATION & CONCLUSIONS

4.1 The issues raised within this report have no adverse impact on the protected characteristics and would have been considered during the audit process.

## 5. RECOMMENDATIONS

5.1 Members are asked to note the internal audit recommendations and work completed to date on the Internal Audit Annual Plan.

<b>Contact Officer:</b>	Lisa Mullan – Temp Head of Finance, Procurement & Property
<b>Background Papers</b>	Appendix 1 – Pensions Appendix 2 – SICA Report

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Internal Audit

FINAL

## South Wales Fire and Rescue Service

Assurance Review of Pensions

2023/24

November 2023

## Executive Summary

### OVERALL ASSESSMENT







### ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Strategic Risk 205 - Pensions Change Impact: If the proposed changes to the pension scheme are agreed, the authority may face increased staff turnover/loss of expertise.


### SCOPE

The review considered the arrangements for the management and control of the administration of pensions.

### KEY STRATEGIC FINDINGS

-  Appropriate arrangements are in place for the management and control of the administration of pension contributions and submitting information to the pension administrators, Rhondda Cynon Taff County Borough Council.
-  Testing performed for starters, leavers, post changes, and employees who have opted out found that pensions processes are operating effectively and in compliance with procedures.
-  Monitoring and reporting processes are operating effectively through the appropriate governance channels.
-  No Urgent, Important or Routine recommendations have been made.

### GOOD PRACTICE IDENTIFIED

-  Detailed procedures are in place for all steps involved in the management of pension information and processing of pension contributions.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	0	0	0



## Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
No Urgent, Important or Routine recommendations were made.							

PRIORITY GRADINGS

**1** **URGENT** Fundamental control issue on which action should be taken immediately.

**2** **IMPORTANT** Control issue on which action should be taken at the earliest opportunity.

**3** **ROUTINE** Control issue on which action should be taken.

## Operational - Effectiveness Matter (OEM) Action Plan

---

Ref	Risk Area	Finding	Suggested Action	Management Comments
No Operational Effectiveness Matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

## Internal Audit

FINAL



South Wales Fire and Rescue Service

Summary Internal Controls Assurance (SICA) Report

2023/24

November 2023

## Summary Internal Controls Assurance

### Introduction

1. This summary controls assurance report provides the Finance Audit and Performance Management (FAPM) Committee with an update on the emerging Governance, Risk and Internal Control related issues and the progress of our work at South Wales Fire and Rescue Service as of 6<sup>th</sup> November 2023.
2. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

### Audits completed since the last SICA report to the FAPM Committee

3. The table below sets out details of audits finalised since the previous meeting of the FAPM Committee.

*Audits completed since previous SICA report*

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OEM
Pensions	Substantial	25/10/2023	30/10/2023	06/11/2023	-	-	-	-

### Progress against the 2022/23 and 2023/24 Annual Plans

4. Our progress against the Annual Plan for 2022/23 is set out in Appendix A and against the Annual Plan for 2023/24 Appendix B.

### Frauds/Irregularities

5. We have not been advised of any frauds or irregularities in the period since the last SICA report was issued.

### Other Matters

6. We have issued the following briefing notes and anti-crime digests through the Client Portal, shown in Appendix B, since the previous SICA report.

#### Briefing Note

No Client Briefing Notes have been issued since the last SICA.

#### Anti-Crime Alert

No Anti-Crime Alerts have been issued since the last SICA.

### Responsibility/Disclaimer


7. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. The matters raised in this report not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

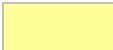
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## Progress against Annual Plan 2022-23

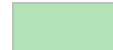
System	Planned Quarter	Current Status	Comments
Collaboration – Co-location	1	Fieldwork commenced	Draft report pending
Rosters	1	Final Report Issued: 19/12/2022	Presented to February 2023 meeting
Human Resources Management – Wellbeing	1	Final Report Issued: 09/11/2022	Presented to November 2022 meeting
Station Visits	2	Final Report Issued: 26/05/2023	Presented to July 2023 meeting
Payroll	2	Final Report Issued: 21/08/2023	Presented to September 2023 meeting
Contract Management	2	Fieldwork completed	Draft report pending
General Data Protection Regulation (GDPR)	2	Final Report Issued: 08/11/2022	Presented to November 2022 meeting
ICT Network Security	3	Final Report Issued: 11/11/2022	Presented to February 2023 meeting
Key Financial Controls	3	Final Report Issued: 15/02/2023	Presented to February 2023 meeting
Risk Management – Mitigating Controls	3	Final Report Issued: 21/03/2023	Presented to July 2023 meeting
Human Resources Management – Training	3	Final Report Issued: 07/12/2022	Presented to February 2023 meeting
Sustainable Procurement	4	Draft Report Issued: 21/08/2023	Presented to September 2023 meeting
Follow Up	4	Final Report Issued: 21/08/2023	Presented to September 2023 meeting
Annual Planning	1	Final issued: 20/04/2022	
Annual Report	4	Indicative Draft Report Issued: 02/03/2023	
Audit Management	1 – 4		

### KEY:

 To be commenced

 Site work commenced

 Draft report issued

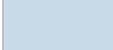
 Final report issued


## Progress against Annual Plan 2023-24

System	Planned Quarter	Current Status	Comments
Electric Vehicle Charging	1	Draft Report Issued: 30/05/2023	
Assets - Mobile Phones	1	Final report issued: 21/08/2023	Presented to September 2023 meeting
ICT Data Assurance	2	Fieldwork completed	Draft report pending
Station Visits	2	Draft Report Issued: 19/09/2023	
Estates Strategy – Property Compliance	2	TBC	
Payroll – Core HR Pay Award and Month-end Payroll Processing	2	Fieldwork completed	Replaces Airwave / Emergency Services Network Draft report pending
Risk Management – Mitigating Controls	3	NA	To be replaced by review of Core HR
Core HR	3	TBC	Replaces Risk Management – Mitigating Controls (above)
O365 Implementation	3	Fieldwork completed	Draft report pending
Airwave / Emergency Services Network	3	NA	Deferred to 2024/25, replaced by Payroll (above)
Budgetary Control	3	Draft Report Issued: 17/10/2023	
Pensions	3	Scheduled date: 02/10/2023	Presented to November 2023 meeting
Sustainability	4	Scheduled date: 05/02/2024	
Health and Safety Management	4	Scheduled date: 15/01/2024	
Follow Up	4	Scheduled date: 08/01/2024	
Annual Planning	1	Final issued: 14/03/2023	

Annual Report	4		
Audit Management	1 – 4		

**KEY:**

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued



## Briefings on developments in Governance, Risk and Control

TIAA produces regular briefing notes to summarise new developments in Governance, Risk, Control and fraud which may have an impact on our clients. These are shared with clients and made available through our Online Client Portal. A summary list of those CBNs and fraud Alerts issued since the previous FAPM Committee which may be of relevance to South Wales Fire and Rescue Service is given below. Copies of any CBNs are available on request from your local TIAA team.

### Summary of recent Client Briefing Notes (CBNs)

Date Issued	CBN Ref	Subject	Status	TIAA Comments
No Client Briefing Notes have been issued since the last SICA.				

### Summary of recent Fraud Alerts

Ref	Subject	Status	TIAA Comments
No Anti-Crime Alerts have been issued since the last SICA.			

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**FORWARD WORK PROGRAMME FOR  
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2023/24**

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Information /Decision</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
As required	Audit Wales Reports	To advise Members of the conclusions of Audit Wales reports and to consider the implications for the Service	D	ACO CS  Contact Officer: Geraint Thomas	
As required	Internal Audit Progress Report & Audit Action Updates	To provide an updated position of work performed against the internal audit plan and to highlight any significant issues arising from the internal audit work performed	I	ACO CS  Contact Officer: Lisa Mullan	
As required	Performance Report	To scrutinise specific issues of performance identified and referred by Fire Authority	I	ACFO SD  Contact Officer: Sarah Watkins	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by the Fire Authority	I	ACO CS  Contact Officer: Sarah Watkins	
24 July 2023	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations and impact on reserves	D	Treasurer  Contact Officer: Lisa Mullan	Completed

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Information /Decision</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
24 July 2023	Capital Outturn	To advise on total capital expenditure for the year against the set capital budget following the year end and to explain variations	D	Treasurer Contact Officer: Lisa Mullan	Completed
24 July 2023	Audit Wales Audit Plan 2023	To advise Members of the work set out by Audit Wales to be undertaken during 2023	I	ACO CS Contact Officer: Lisa Mullan	Completed
24 July 2023	Treasury Management Monitoring Report	To updated Members on progress against Treasury Management activities of the first quarter of the financial year	I	Treasurer Contact Officer: Lisa Mullan	Completed
24 July 2023	Audited Statement of Accounts	To advise Members of the content of the Audited Statement of Accounts	I	Treasurer Contact Officer: Lisa Mullan	Completed
24 July 2023	Audit Accounts report (ISA 260 Report)	To advise Members of the content of the Auditor General's ISA 260 report including the final letter of representation, proposed audit opinion and corrections/recommendations	I	Treasurer Contact Officer: Lisa Mullan	Deferred to 4 December 2024 following completion of the external audit process by Audit Wales

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Information /Decision</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
18 Sept 2023	Medium Term Financial Strategy Update, Reserves Strategy and Revenue & Capital Budget Setting Report	To update Members on the MTFS to inform and influence the budget setting process to meet the Service's requirements for the following financial year	D	Treasurer  Contact Officer: Lisa Mullan	On agenda
18 Sept 2023	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	D	Treasurer  Contact Officer: Lisa Mullan	On agenda
18 Sept 2023	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	D	Treasurer  Contact Officer: Lisa Mullan	On agenda
18 Sept 2023	Treasury Management Outturn Report	To advise on performance against the treasury management policy and strategy following financial year end	D	Treasurer  Contact Officer: Lisa Mullan	On agenda
18 Sept 2023	Health Check of Priority Actions and Q1 progress against the Statutory PI's	To scrutinise progress of the Service's Priority Actions and statutory PI's as at the end of Q1	I	ACO CS & ACFO SD  Contact Officer: Sarah Watkins	On agenda
18 Sept 2023	Audit Wales Final Audit Letter	To advise on conclusion of financial audit	I	Treasurer  Contact Officer: Lisa Mullan	On agenda

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Information /Decision</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
4 Dec 2023	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	D	Treasurer Contact Officer: Lisa Mullan	
4 Dec 2023	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	D	Treasurer Contact Officer: Lisa Mullan	
4 Dec 2023	Revenue & Capital Budget Setting Update Report	To assist in determining the appropriate revenue & capital budget required to meet the Service's requirements for the financial year	D	Treasurer Contact Officer: Lisa Mullan	
4 Dec 2023	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	D	Treasurer Contact Officer: Lisa Mullan	
4 Dec 2023	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	I	ACO CS Contact Officer: Sarah Watkins	
4 Dec 2023	Annual Audit Plan Financial Audits	To advise Members of the proposed timetable for financial audits in the forthcoming audit year	I	Treasurer Contact Officer: Lisa Mullan	
4 March 2024	Treasury Management Strategy Report	To secure Members' approval to the adoption of the Treasury Management Strategy for the following financial year	D	Treasurer Contact Officer: Lisa Mullan	

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Information /Decision</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
4 March 2024	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	D	ACO CS  Contact Officer: Lisa Mullan	
4 March 2024	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	D	Treasurer  Contact Officer: Lisa Mullan	
4 March 2024	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	D	Treasurer  Contact Officer: Lisa Mullan	
4 March 2024	Health Check of Priority Actions and Q3 progress against the Statutory PI's	To scrutinise progress of the Service's Priority Actions and statutory PI's as at the end of Q3	I	ACO CS & ACFO SD  Contact Officer: Sarah Watkins	
4 March 2024	Internal Audit Annual Report	To provide an opinion on the adequacy and effectiveness of risk management, control and governance processes based on the internal audit work undertaken during the financial year. This will support the statement of internal control.	I	ACO CS  Contact Officer: Lisa Mullan	
4 March 2024	Corporate Departmental Risk Register	To seek Members' views upon the Corporate Departmental Risk Register	I	ACO CS  Contact Officer: Wayne Thomas	

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Information /Decision</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
4 March 2024	Draft Annual Report of the Work of the FAPM Committee and the Discharge of the Terms of Reference of the Finance, Asset & Performance Management Scrutiny Group	To consider the draft report on the annual work of the Committee before its submission to the Fire Authority and to ensure the Authority has efficient use of resources and robust procedures in place to ensure and manage this	D	Chair of FAPM & ACO CS  Contact Officer: Sarah Watkins	On agenda
4 March 2024	Register of Gifts and Hospitality	To advise Members of gifts and hospitality accepted and declined by Members and Officers during the year	I	ACO CS  Contact Officer: Sarah Watkins	



## AGENDA ITEM NO 12

**To consider any items of business that the Chairperson deems urgent  
(Part 1 or 2)**

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1.	Apologies for Absence	
2.	Declarations of Interest	
	Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.	
3.	Chairperson's Announcements	
4.	To receive the minutes of;	
	<ul style="list-style-type: none"> <li>• Finance, Audit &amp; Performance Management Committee held on 18 September 2023</li> </ul>	5
	<b>REPORTS FOR DECISION</b>	
5.	Revenue Monitoring Report	11
6.	Capital Monitoring Report	27
7.	Treasury Management Mid-Term Review Report 2023/24	39
8.	Revenue and Capital Budget Setting Update Report	49
9.	Statement of Accounts 2022/23	61
	<b>REPORT FOR INFORMATION</b>	
10.	Internal Audit Progress Report & Audit Action Updates	187
11.	Forward Work Programme for Finance, Audit & Performance Management Committee 2023/2024	203
12.	To consider any items of business that the Chairperson deems urgent (Part 1 or 2)	209