

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

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

**COMMITTEE:** Finance, Audit & Performance Management Committee

**DATE:** Monday, 15 June 2020 at 10:30 hours

**VENUE:** To be held on Star leaf, access code: 4105352792

### **AGENDA**

1. Apologies for Absence
2. Declarations of Interest

Members of the Fire & Rescue Authority are reminded of their personal responsibility to both verbally and in writing declare any personal and/or prejudicial interests 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:
  - Finance Audit & Performance Management Meeting held on 2 March 2020 3
5. Revenue Outturn 2019/20 9
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7. Statement of Accounts 2019/20 33
8. Internal Audit Report 133
9. Internal Auditors Annual Report Year Ending 31 March 2020 159

10.	Internal Audit Annual Plan 2020/2021	167
11.	Forward Work Programme 2020-21	183
12.	To consider any items of business that the Chairperson deems urgent (Part 1 or 2)	189

Signature of Proper Officer:



## MEMBERSHIP

### Councillors:

M	Colbran	Merthyr Tydfil
M	Spencer	Newport
P	Drake	Vale of Glamorgan
S	Ebrahim	Cardiff
S	Evans	Torfaen
J	Harries	Rhondda Cynon Taff
W	Hodgins	Blaenau Gwent
A	Hussey	Caerphilly
V	Smith	Monmouthshire
D	White	Bridgend

## SOUTH WALES FIRE & RESCUE SERVICE

### MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE MEETING HELD ON MONDAY, 2 MARCH 2020 AT 10:30HRS SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

#### 35. PRESENT

Councillor	Arrived	Left	
S Evans (Chair)			Torfaen
P Drake			Vale of Glamorgan
M Colbran			Merthyr Tydfil
V Smith			Monmouthshire
A Hussey			Caerphilly
M Spencer			Newport
S Ebrahim	10:48		Cardiff

#### APOLOGIES

J Holt		Blaenau Gwent
D White		Bridgend

#### ABSENT

J Harries		Rhondda Cynon Taff
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**OFFICERS PRESENT:** Mrs S Chapman – Deputy Chief & Monitoring Officer, Mr C Barton – Treasurer, Mr C Williams, Head of ICT, Ms Helen Cargill – TIAA Internal Auditor, Mr N Hollis – WAO.

#### 36. DECLARATIONS OF INTEREST

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

#### 37. CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

#### 38. MINUTES OF PREVIOUS MEETING

The following minutes were received and accepted as a true record of proceedings;

- Finance, Asset & Performance Management Scrutiny Group meeting held on 7 October 2019

- Finance, Audit & Performance Management meeting held on 25 November 2019.

### **39. TREASURY MANAGEMENT STRATEGY REPORT**

The Treasurer advised that due to the Senior Accountant being away from the office at present due to a family bereavement, the Treasury Management Strategy report was not available for reporting at this time. The report will be presented at the next Fire Authority meeting scheduled to take place on 30 March.

Members asked for their condolences to be sent.

### **40. BUSINESS PLAN ACTIONS REPORT – HEALTH CHECK 2019/20 QUARTER 3**

The Deputy Chief Officer presented the Business Plan Actions Report - Health Check 2019/20 - Quarter 3.

In relation to providing education to our communities, it was confirmed that the Service holds a database containing contact information for vulnerable members of the service area, the information is provided by health boards and other agency partners. Those individuals without social service involvement do, unfortunately, fall through the net, unless they contact us directly.

The Deputy Chief Officer was pleased to report that visits were made by the Service over the weekend of 28 February-1 March to vulnerable people on the Service's database who were victims of flooding in the Ely area of Cardiff.

In relation to the number of false alarms attended, it was noted that more properties are employing alarm monitoring companies which has resulted in an increase in attendance at such incidents.

It was also noted that the Service will respond to false alarms at hospitals during the hours of 0800-1800 at normal road speed, with a single appliance in attendance, unless a fire is confirmed.

### **RESOLVED THAT**

Members noted the content of the report.

**41. DRAFT ANNUAL REPORT OF THE WORK OF THE FINANCE, AUDIT AND PERFORMANCE MANAGEMENT COMMITTEE AND THE DISCHARGE OF THE TERMS OF REFERENCE OF THE FINANCE, ASSET & PERFORMANCE MANAGEMENT SCRUTINY GROUP**

The Deputy Chief Officer summarised the work of the Finance, Audit & Performance Management Committee and its Scrutiny Group for the municipal year 2019/20.

**RESOLVED THAT**

Members considered the report and made slight amendment to paragraph 2.4, prior to reporting to the Fire & Rescue Authority as a summary of the workload carried out by the Committee and Scrutiny Group during the municipal year.

**42. REVENUE MONITORING REPORT 2019/20**

The Treasurer provided details of the annual revenue budget and associated information for the year ending 31 March 2020.

In relation to shared services, it was confirmed that the service does not hold a large debt and recovery service. Payments are, on occasion, overdue, but not substantially.

A discussion arose around automatic meter readings and it was noted that this plan of works is still ongoing. The Service is actively identifying best value for money on meter systems. It was also noted that the heating levels on stations are controlled from a central point.

Members were advised that funding for USAR is received through grant funding resulting in neutral impact. USAR is wholly financed by Welsh Government.

**RESOLVED THAT**

Members noted the report and agreed its content.

**43. CAPITAL MONITORING REPORT 2019/20**

The Treasurer presented the Capital Monitoring report 2019/20 and provided a detailed update on the capital budget, transactions to date and the forecast position at year end.

It was noted that helmets were not included within the purchase of PPE. A separate procurement process will be undertaken for the purchase of helmets as we were not included on the North Wales tender documents.

The following station refurbishment update was provided to Members;

Pontypridd – refurbishment works have commenced on site

Llantwit Major – works completed

Occupational Health Unit – works completed

New Inn – currently establishing if there are potential alternative sites for the station that would better suit our needs.

## **RESOLVED THAT**

Members noted the budget and progress of capital schemes, approved the alterations identified in Appendix 1 and associated movements in funding streams.

### **44. INTERNAL AUDIT REPORT**

The Internal Auditor updated Members upon progress being made against the Internal Audit Plan 2019/2020.

## **RESOLVED THAT**

Members agreed the internal audit recommendations and work completed to date on the Internal Audit Annual Plan and were pleased to note the positive report which was a good reflection of the work undertaken by SWFRS staff.

### **45. WALES AUDIT OFFICE – 2020 AUDIT PLAN**

The Wales Audit Officer presented the 2020 Audit Plan which included the Audit of Accounts, Performance Audit, Fees, Audit Team Timetable and Future Developments to his audit work.

The Treasurer wished to bring to Members' attention a potential discrimination issue in relation to the McCloud Judgement which was discussed at a recent Welsh Government Scheme Advisory Board meeting. A plan is afoot in relation to a remedy, without a remedy the liabilities are unknown. It was noted that this is an issue across many organisations.

## **RESOLVED THAT**

Members noted the 2020 Audit Plan.

#### **46. STRATEGIC RISK REGISTER REPORT**

The Deputy Chief Officer updated Members upon the Strategic Risk Register Health Check - 2019/20 - Quarter 3 Review which outlined progress made on the management of risks identified as at October-December 2019.

It was confirmed that specific emergency plans are in place in relation to the outbreak of the corona virus which include steps the Service will take in the event of loss of staff. A meeting is being held with a number of public service organisations through National Resilience Forums.

The Emergency Services Network was discussed.

#### **RESOLVED THAT**

Members noted the report.

#### **47. REGISTER OF GIFTS AND HOSPITALITY**

The Deputy Chief Officer provided Members with an overview of the Gifts and Hospitality recorded on the Hospitality and Gifts Register for 2019/20.

#### **RESOLVED THAT**

Members noted the contents of the Hospitality and Gifts Register in line with Internal Audit recommendations.

#### **48. CYBER SECURITY ACCREDITATION UPDATE REPORT**

The Head of ICT provided Members with an update on accreditation progress towards Cyber Essentials Plus/Information Assurance for Small and Medium Enterprises.

#### **RESOLVED THAT**

Members noted the content of the report.

#### **49. FORWARD WORK PROGRAMME 2019-20**

The Deputy Chief Officer presented the Forward Work Programme for 2019/20.

#### **RESOLVED THAT**

Members accepted the Forward Work Programme for 2019/20.

**50. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIRMAN DEEMS URGENT (PART 1 OR 2)**

There were no items of urgent business for Members to consider.

At the close of the meeting, the Chair wished to thank SWFRS staff for the comprehensive work undertaken in completing all reports.

## **REVENUE OUTTURN 2019/20**

### **SUMMARY**

Subject to the external audit process, this report outlines the revenue outturn position for the financial year end 2019/20 and resultant impact on reserves.

### **RECOMMENDATION**

The outturn position and net revenue deficit and use of usable reserves are received and noted.

## **1. BACKGROUND**

- 1.1 The objective of this report is to present Members with a summary of the revenue outturn for the year (Appendix 1) whilst noting that the accounts are subject to external audit and to this end a final position will not be definite until the audit process is complete.
- 1.2 Appendix 1 details the annual budget, total transactions for the financial year and variance analysis. Appendix 2 charts the budget variances reported at each FAPM committee meeting and cumulatively up to 31 March 2020.
- 1.3 The reserve statement at Appendix 3 has been provided to update Members to provide year end movements and position for scrutiny and financial planning purposes.

## **2. ISSUES**

- 2.1 Monitoring reports provided during the year identified an overspend with the most recent reported figures i.e. 2 March FAPM Committee, forecasting this to be £453k. The actual revenue overspend has decreased by £406k to £47k.
- 2.2 In summary, the decrease in overspend since previous reporting is primarily within non-employee budgets of £470k which has been offset by an increase of £64k against employee budgets. A number of areas have contributed to the decrease with the most significant outlined below.

### **2.2.1 EMPLOYEE COSTS - £64k increase in overall overspend**

Further ill health pension costs of £26k reflect an additional ill health retirement since previously reported. This, along with additional members to the LGPS scheme increasing the Employers

contributions for the year by £13k are the main reasons for the increase within this area.

The latest establishment figures are shown below:

### **Establishment figures (FTE) as at 31 March 2020**

	<b>Strength*</b>	<b>Budgeted Estab</b>
WDS	783.00	792.00
RDS (100%)	367.50	426.40
Control	41.50	36.50
Support Staff	272.54	271.00
YFF	66.04	85.00
Auxiliary Reserve	83.00	84.00
<b>Total Leavers &amp; Joiners April 2019 to March 2020 (Headcount)</b>		

	<b>Starters</b>	<b>Leavers*</b>
Control	3	1
Support Staff	46	25
RDS	100	91
WDS	35	42
Auxiliary Reserve	23	8
YFF	5	3
Volunteers	16	0
<b>Total</b>	<b>228</b>	<b>170</b>

**\*Includes new starters or leavers to the service, not additional contracts**

#### **2.2.2 PREMISES COSTS - £49k increase in overspend**

An increase of £74k in energy costs is the result of both an increase in unit costs along with estimated electricity readings on some sites following the transfer of supplier to EDF. It is anticipated that, once meters have been replaced and actual readings are provided, a credit will be received. This hasn't yet been confirmed therefore any adjustment received will be reflected against 2020/21.

This increase have been offset by savings within telephone and communication costs due to costs for landline calls being less than previously forecast and Wide Area Network (WAN) charges reducing due to works not being undertaken within the financial year as expected.

### **2.2.3 TRAINING COSTS - £56k increase in underspend**

This is largely the result of training course delivery not completed / scheduled before the end of the financial year as anticipated, with planned attendance on courses and conferences delayed following the coronavirus pandemic.

### **2.2.4 SUPPLIES AND SERVICES - £400k decrease in overspend**

£260k relates to additional forecast costs in Home Fire Safety equipment that was subsequently funded by Welsh Government.

Uniform costs were £136k less than forecast due to stock adjustments for kit received from both retirees and leavers within the year and also a reduction in the number of new recruits forecast. This was due to the successful transfer of a number of existing retained employees to wholetime.

There were further overspends in this area which included operational equipment increasing by £26k, where spend included increasing the level of PPE required on station in March, and hydrant repair costs increasing by £28k as the amount of work completed before the end of the year was higher than previously forecast. However, these were offset by underspends within advertising due to a change in planned activities being put on hold and furniture costs being less than previously anticipated.

### **2.2.5 TRANSPORT COSTS - £59k increase in overspend**

The majority of the increase is due to the end of year stock adjustment for fuel balances held across the service when compared to 2018/19. During 2018/19 an order for diesel of £48k was placed to fill up tanks due to original planned Brexit of 29th March 2019, as the Authority was unsure of delivery times and increase costs.

An increase was also seen in the purchase of vehicle parts due to unforeseen breakdowns however these costs were mainly offset by a reduction of costs previously forecast within the vehicle lease scheme due to terminations and lease extensions taking place.

### **2.2.6 CAPITAL COSTS - £49k decrease in overspend**

£38k is due to a reduction in the Minimum Revenue Provision (MRP). This charge is dependent on the capital forecast and as Members will be aware, the capital outturn report details delays on completion of various schemes.

### 2.2.7 INCOME - £78k additional

Further Joint Control costs were identified which resulted in additional £43k re-imburement due from MWWFRS as part of the collaboration agreement.

An estimated for £43k is also anticipated in relation to overpayment of electricity charges for the Werfa mast site at Ogmere Vale. The site has not been consuming electrical energy since April 2013 however charges based on estimated readings by both EDF and previous electricity supplier, British Gas, have continued to take place. Any adjustment to this figure will be included in future reports.

Lease income increased following a recalculation of the amount due from WAST at Barry station and a further £15k for property works carried out in year at sites involving co-location with WAST, South Wales Police and Gwent Police.

This additional income has offset areas where income has been less than previously forecast. This includes WG grant funded pension costs based on quarterly forecasts, re-imburement for subscription costs due to project costs for CoreHR phases being put on hold and a reduction in the number of standpipes hired which has impacted the rebate received from Welsh Water.

## 3. FINANCIAL IMPLICATIONS

- 3.1 The unaudited net revenue budget deficit of £47k will be funded from useable reserves.

## 4. EQUALITY RISK ASSESSMENT

- 4.1 There are no equality implications resulting directly from this report. Each element of the revenue budget will have undergone equality and diversity risk assessments by the responsible budget holder as part of the budget planning process.

## 5. RECOMMENDATION

- 5.1 The outturn position and the net revenue deficit and use of usable reserves are received and noted.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	- Revenue and Capital Determination Report - Revenue Budget Working Papers - Budget Holder Reports - Capital Monitoring Report

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<b>SOUTH WALES FIRE &amp; RESCUE SERVICE</b>							
<b>BUDGET MONITORING 2019/20</b>						<b>APPENDIX 1</b>	
		<b>Original Budget 2019/20 £</b>	<b>Revised Budget (vired budget) 2019/20</b>	<b>Actual at 31.03.20 £</b>	<b>Outturn at 31.03.20 £</b>	<b>Over/Under Spend Against Revised</b>	<b>Over/ Under Spend %</b>
<b>Employee Costs</b>							
	Salaries, NI & superann.	54,933,131	54,848,172	58,170,786	58,169,813	-3,321,641	-4.6%
	Pensions (ill health)	965,029	965,029	992,450	992,450	-27,421	0.0%
	Travel and Subsistence	461,000	462,000	440,184	440,184	21,816	0.0%
	<b>Total Employee Costs</b>	<b>56,359,160</b>	<b>56,275,201</b>	<b>59,603,420</b>	<b>59,602,447</b>	<b>-3,327,246</b>	<b>-4.6%</b>
	<b>Premises Related Expenses</b>	4,788,327	4,801,993	4,973,202	4,973,177	-171,184	-0.2%
	<b>Training Expenses</b>	1,473,382	1,471,437	452,521	1,399,936	71,501	0.1%
	<b>Supplies &amp; Services</b>	3,860,881	3,850,123	4,156,294	4,171,757	-321,634	-0.4%
	<b>Transport Related Expenses</b>	1,160,876	1,328,376	1,404,456	1,404,456	-76,080	-0.1%
	<b>Third Party Payments (Contracted Services)</b>	806,000	889,997	675,517	801,782	88,215	0.1%
	<b>Capital costs / leasing</b>	4,448,826	4,448,826	4,530,403	4,630,403	-181,577	-0.3%
	<b>Contingency</b>	0	0	0	0	0	0.0%
	<b>Total Expenditure</b>	<b>72,897,452</b>	<b>73,065,952</b>	<b>75,795,813</b>	<b>76,983,958</b>	<b>-3,918,006</b>	<b>-5.5%</b>
<b>Income</b>							
	Employee Related	0	-91,000	-3,102,737	-3,091,090	3,000,090	4.2%
	Lease Car Contributions	0	-167,500	-177,212	-177,212	9,712	0.0%
	Co-Location Re-imbusement	0	0	-205,723	-205,723	205,723	0.3%
	Other Income	-1,070,308	-980,308	-1,653,405	-1,635,962	655,654	0.9%
	<b>Total Income</b>	<b>-1,070,308</b>	<b>-1,238,808</b>	<b>-5,139,076</b>	<b>-5,109,986</b>	<b>3,871,178</b>	<b>5.4%</b>
	<b>CONTRIBUTION BUDGET 2019/2020</b>	<b>71,827,144</b>	<b>71,827,144</b>	<b>70,656,737</b>	<b>71,873,972</b>	<b>-46,828</b>	<b>-0.1%</b>
<b>Key</b>							
	 Overspend						
	 Underspend						

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## SOUTH WALES FIRE &amp; RESCUE SERVICE

## BUDGET MONITORING 2019/20

## APPENDIX 2

	Original Budget 2018/19 £	Revised Budget (vired budget) 2018/19 £	FAPM Forecast 09.09.19 £	FAPM Forecast 25.11.19 £	FAPM Forecast 02.03.20 £	Outturn 31.03.20 £	Variance at FAPM 09.09.19 to Revised Budget	Variance at FAPM 25.11.19 to FAPM 09.09.19	Variance at FAPM 02.03.20 to FAPM 25.11.19	Variance at Outturn to FAPM 02.03.20	Cumulative Variances against Revised Budget	Summary on variances previously reported*
<b>Employee Costs</b>												
Salaries, NI & superann.	54,933,131	54,848,172	58,223,387	58,244,264	58,137,354	58,169,813	-3,375,215	-20,877	106,910	-32,460	-3,321,641	* Increase to FFPF contribution rate Staff vacancies
	54,933,131	54,848,172	58,223,387	58,244,264	58,137,354	58,169,813	-3,375,215	-20,877	106,910	-32,460	-3,321,641	Reduction to Ill Health against initial forecast
Pensions (ill health)	965,029	965,029	888,222	942,552	961,398	992,450	76,807	-54,330	-18,846	-31,052	-27,421	** 2 additional Ill Health retirements Additional members to LGPS scheme
Travel and Subsistence	461,000	462,000	452,751	451,274	439,928	440,184	9,249	1,476	11,347	-256	21,816	*** Increase in FF Scheme due to pay award and new members Additional members to LGPS scheme Staff vacancies offset above increase
<b>Total Employee Costs</b>	<b>56,359,160</b>	<b>56,275,201</b>	<b>59,564,360</b>	<b>59,638,090</b>	<b>59,538,679</b>	<b>59,602,447</b>	<b>-3,289,159</b>	<b>-73,731</b>	<b>99,411</b>	<b>-63,768</b>	<b>-3,327,246</b>	
<b>Premises Related Expenses</b>	<b>4,788,327</b>	<b>4,801,993</b>	<b>4,927,810</b>	<b>4,942,195</b>	<b>4,924,184</b>	<b>4,973,177</b>	<b>-125,817</b>	<b>-14,385</b>	<b>18,011</b>	<b>-48,993</b>	<b>-171,184</b>	* Increase in lease costs for OHU and rates re-valuation ** LPG gas at CFBT *** Increase in Energy costs offset by savings within Repair & Maintenance charges
Training Expenses	1,473,382	1,471,437	1,464,571	1,463,661	1,456,263	1,399,936	6,866	909	7,398	56,327	71,501	
Supplies & Services	3,860,881	3,850,123	4,369,219	4,458,254	4,571,895	4,171,757	-519,096	-89,035	-113,641	400,139	-321,634	* Overspend on HFS external funding. Upgrade of HYDRA facility at Cardiff Gate to be funded from CF reserve in addition to increase in subs and support and maintenance due to cost sharing being offset by income ** Purchase of new BA sets Increase in recharge estimate from SWP re: ICT for Joint Control *** Increase in Support & Maintenance following charges transferred from Capital Increase in Uniform due to increase in number of Wholetime staff anticipated Decrease in overspend against HFS funding
Transport Related Expenses	1,160,876	1,328,376	1,351,603	1,344,160	1,346,285	1,404,456	-23,227	7,442	-2,125	-58,171	-76,080	* Increase in new pool car lease costs
Third Party Payments (contracted services)	806,000	889,997	917,776	874,428	795,075	801,782	-27,779	43,347	79,353	-6,706	88,215	* increase in JC consultancy costs along with increase in legal fees ** Reduction in ICT consultancy costs for Joint Control, offset by increase in estimated recharge *** Decrease in legal costs anticipated
Capital costs / leasing	4,448,826	4,448,826	4,993,923	4,841,322	4,679,692	4,630,403	-545,098	152,601	161,630	49,289	-181,577	* Increase to MRP along with CERA contribution which is offset by income ** Decrease in MRP following change in estimated life for PPE *** Decrease in MRP due to slippage of projects into 20/21
Contingency	0	0	0	0	0	0	0	0	0	0	0	
Income	-1,070,308	-1,238,808	-4,820,271	-4,851,274	-5,032,336	-5,109,986	3,581,463	31,003	181,061	77,650	3,871,178	* Offset to increased expenditure - WG grant, supplies and services. Joint control related income - compensation, 60/40 salary split Change in lease car agreements and premise related income - rates, leases ** Increase in co-location due from SWP - offset in CERA *** Backdated 3rd party gain share from Babcock Recharges due from WAST and GP for property works carried out
<b>CONTRIBUTION BUDGET 2019/2020</b>	<b>71,827,144</b>	<b>71,827,144</b>	<b>72,768,990</b>	<b>72,710,837</b>	<b>72,279,739</b>	<b>71,873,972</b>	<b>-941,846</b>	<b>58,152</b>	<b>431,098</b>	<b>405,767</b>	<b>-46,828</b>	

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## APPENDIX 3

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.	-115,659	66,502	-49,157	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.	-5,894,982	300,066 339,448.21 6,160.00 380,326.19	-4,868,982	Capital expenditure on Occ Health Capital expenditure on Energy Efficiency schemes Capital expenditure on Website £500k transferred to CFBT and transfer to earmarked reserves
<b>CFBT Reserve</b>	This reserve has been set up to fund capital investment activities in this facility which is to be housed at Cardiff Gate.	-1,976,488	2,348,452 -500,000	-128,036	Capital spend on CFBT £500k transferred from Change Management
<b>PFI Equalisation</b>	To meet future costs of the Training Centre PFI project	-3,860,537	61,930	-3,798,607	Current figures which includes estimated additional value for indexation at year end
<b>Capital Receipts</b>	To meet costs of the capital programme. Reserve applied as receipts are generated	-901,023	857,373 -30,713	-74,363	£857k to fund Fleet within Capital Programme Capital Receipts received in 19/20
<b>Joint Control Lease Reserve</b>	To meet the lease costs over an eight year period (from 2017/18)	-600,000	100,000	-500,000	Annual Joint Control lease costs
	<b>TOTAL</b>	<b>-16,348,690</b>	<b>3,929,544</b>	<b>-12,419,146</b>	

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## GRANT OUTTURN REPORT 2019/20

### 1. BACKGROUND

- 1.1 This report presents an update of the major changes affecting the grant budget since the last FAPM report in March 2020.

### 2. ISSUES

- 2.1 Since the last reporting period there have been a number of changes to individual projects as summarised below:

#### 2.1.1 FIRE CRIME – 4k decrease in forecasted underspend

At the last report an underspend of £4k was identified due to a reduced amount of patrols, and therefore overtime claims, carried out in relation to the Community Safety initiative 'Operation Bang'.

Further costs were identified and included in the Quarter 4 return in the form of the 'Bernie Pantomime' to ensure the full grant was claimed.

#### 2.1.2 HFS STOCK - £24k decrease in forecasted overspend

Due to the Covid-19 situation, home fire safety visits were dramatically reduced to ensure social distancing. Telephone consultations for referral cases only were carried out for the last few weeks of March and where necessary items were delivered to doorsteps for individuals to fit themselves.

This resulted in a reduction of £24k in forecasted overspends.

The outturn position for HFS stock was an overspend of £236k. Additional funding was received from Welsh Government to cover the overspends, therefore there has been no impact on the SWFRS revenue budget during 2019/20.

#### 2.1.3 MOMENTUM - £2.5k decrease in forecasted overspend

Due to Covid-19 the second Momentum course ended two weeks earlier than scheduled. Therefore all associated costs including catering, subsistence and overtime claims were less than forecasted.

The position of the grant at year end was a £2.4k underspend. This was partially absorbed by MWWFRS overspends in Momentum and the remaining amount was transferred to the Youth initiative to be absorbed by overspends in this area, as agreed by WG.

#### 2.1.4 **ANTI-SOCIAL BEHAVIOUR – £2.3k overspend**

The 2019/20 grant received from the Police and Crime Commissioner for Gwent was £28k.

The actual salary costs of the Anti-Social Behaviour post were slightly greater than the grant awarded therefore impacted the revenue budget. The £2.3k overspend was absorbed by the SWFRS salaries budget.

#### 2.1.5 **NATIONAL RESILIENCE - £27.8k decrease in forecasted overspend**

Since the last report the forecasted overspend for NR decreased overall by £27.8k.

Less exercising courses were carried out during the last quarter contributing to a £13.7k underspend in course costs. This impacted the amount of overtime claimed for and reduced the forecast by £9.6k from areas including HVP, Mass Decon and Exercising.

The LTCM variable forecasted costs also decreased by £4.5k - these costs are difficult to accurately forecast as they only occur when maintenance and repairs are required on vehicles.

#### 2.1.6 **MTFA - £6.9k decrease in forecasted overspend**

A reduction of £5.5k in Operational Equipment spends and £1.4k in employee costs has resulted in an overall decrease in forecasted overspends within MTFA.

The reductions are linked to the National Union position on pay negotiations and not responding to terrorist attacks, as previously stated.

#### 2.1.7 **USAR - £38.8k increase in forecasted underspend**

Since the last report there has been an increase in underspends of £39k which is due to a reduction of spends in supplies & services of £7.5k, £800 in transport related costs and £30.5k in employee costs.

It was forecasted that three Watch Managers would be employed within the USAR team during Quarter 4 but only two were actually employed. The reason for this is due to delays in decision making on which rank is deemed suitable to be a canine handler. Also the Technician actual costs decreased due to two members of personnel being overpaid during the year and the salaries rectified in Quarter 4.

### 3. FINANCIAL IMPLICATIONS

Overall there was a £2.3k overspend within the grant budgets, which was absorbed by the SWFRS salaries budget.

### 4. RECOMMENDATIONS

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

SOUTH WALES FIRE & RESCUE SERVICE REVENUE GRANT REPORTING 2019/20									
									APPENDIX 5
Revenue	FIRE CRIME	HFS STOCK	YOUTH	MOMENTUM	ANTI-SOCIAL BEHAVIOUR	NATIONAL RESILIENCE	MTFA	USAR	
<b>Budget</b>	<b>107,748</b>	<b>223,400</b>	<b>111,355</b>	<b>70,000</b>	<b>28,000</b>	<b>844,589</b>	<b>158,806</b>	<b>387,484</b>	
<b>Employee Costs</b>	Forecast	83,801		90,988	61,963	28,000	272,243	88,986	314,372
<b>Training Expenses</b>	Forecast			1,296			72,306		460
<b>Supplies &amp; Services</b>	Forecast	13,312	459,184	13,215	5,642		482,074	64,910	5,391
<b>Transport Related Expenses</b>	Forecast	10,635		7,438			1,831	1,882	642
<b>Income</b>	Forecast	-107,748	-223,400	-111,355	-70,000	-28,000	-844,589	-158,806	-387,484
<b>(Under)/Overspend</b>	Forecast	0	235,784	1,581	-2,395	0	-16,135	-3,027	-66,619

SOUTH WALES FIRE & RESCUE SERVICE CAPITAL GRANT REPORTING 2019/20		
	<b>Capital</b>	<b>NATIONAL RESILIENCE</b>
	<b>Budget</b>	<b>23,077</b>
<b>Equipment</b>		
<i>Mass Decontamination Unit</i>	Forecast	0
<i>LCD Detection Units</i>	Forecast	0
<b>Vehicles</b>		
<i>Prime Mover</i>	Forecast	0
<i>USAR dog handler vehicle</i>	Forecast	23,077
<b>Income</b>	Forecast	-23,077
<b>(Under)/Overspend</b>	Forecast	0

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**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE, AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER

AGENDA ITEM NO 6  
15 JUNE 2020

**CAPITAL OUTTURN 2019/20**

**SUMMARY**

The following report provides the capital outturn position for the year ended 31<sup>st</sup> March 2020, the financing arrangements and the budget slippage required to complete capital schemes in 2020/21.

**RECOMMENDATION**

That Members note the progress of the capital schemes, approve alterations identified in Appendix 1 and note the associated funding streams.

**1. BACKGROUND**

- 1.1. Monitoring reports have been presented to this committee throughout the financial year to provide updated forecast information, with the latest report presented to the 02nd March 2020 committee meeting.
- 1.2 In summary, the total available budget equated to £9.7 million, the outturn and slippage for the year is £6.6m and £3.4m respectively. In summary, since previous reporting the projected spend has decreased by £0.6m while slippage has increased by £0.5m.
- 1.3 Appendix 1 provides a detailed breakdown of the schemes contributing to the aforementioned position together with the necessary financing arrangements. This following provides a narrative update in support of figures detailed in Appendix 1.

**2. ISSUES**

- 2.1. Appendix 1 details the level of capital expenditure approved by Members for the year. This is compared to the actual cost of capital investment and any resulting variance providing for an over/under spend position.

2.2. The table below illustrates the budgeted and actual capital expenditure and the funding mechanisms supporting this:-

<b>Capital Expenditure</b>	<b>Budget £'000</b>	<b>Actual £'000</b>
Approved capital spend	6,373	5,123
19/20 Budget slippage net of reserves	3,334	1,515
<b>Total budget 2019/20</b>	<b>9,707</b>	<b>6,638</b>
<b>Capital Financing</b>		
Borrowing	6,627	2,189
Revenue contribution	200	455
Revenue Reserves	2,880	2,994
Grant Funded	0	143
Capital Receipts	0	857
<b>Total funding 2019/20</b>	<b>9,707</b>	<b>6,638</b>

2.3. The variance in budget to outturn is £3,065 and is analysed as follows:-

- £377k overspend
- £3,442k in budget slippage

If approved, budget slippage will be carried into 2019/20 to complete capital projects.

## 2.4 Property

2.4.1 The outturn position for Property is £144k less than the last forecast. This is largely due to work at Pontypridd being delayed due to the Covid restrictions therefore this has slipped into 20/21. All variances are made up by the following properties;

PONTYPRIDD	-165
MONMOUTH	-9
NEW INN	-8
BARRY	1
TONYPANDY	-14
OCCUPATIONAL HEALTH	54
LLANTWIT MAJOR	28
CFBT FACILITY CARDIFF GATE	-31
<b>TOTAL</b>	<b>-144</b>

## 2.5 Vehicle Replacement Programme (VRP)

The outturn position for vehicles is £267k less than the previous forecast. This variance is caused by the below vehicles.

OPERATIONAL 4WD	-243
VANS (LIGHT VEHICLES)	-4
WATER LADDERS	3
USAR VEHICLE	-23
<b>TOTAL</b>	<b>-267</b>

### 2.5.1 Operational 4WD

At the point of the last monitoring report we were hopefully that these vehicles would be delivered before March 31<sup>st</sup> 2020. However as this didn't happen they have been slipped into 2021/21.

### 2.5.2 USAR Vehicles

The outturn has decreased by £23k as again delivery did not happen before March 31<sup>st</sup> 2020, however delivery is expected in 2020/21.

There were a number of vehicles that were not ordered in time to be delivered during 2019/20 and therefore have been slipped into 2020/21. These vehicles are as follows:

OPERATIONAL 4WD	243
TRUCK (SLIDE DECK / CRANE)	150
RESCUE TENDERS	235
RECOVERY UNIT	115
VAN/OPS ESTATE CAR	155
RESCUE BOAT	45
USAR VEHICLE	23
<b>TOTAL</b>	<b>966</b>

## 2.6 ICT/EQUIPMENT

2.6.1 The actuals reported in the outturn have decreased by £101k. This is due to the below projects;

	<b>Previous Forecast</b>	<b>Outturn</b>	<b>Variance</b>
BREATHING APPARATUS	946	882	-64
SERVICE DESK	26	21	-5
WEBSITE PROJECT (reserve funding)	8	6	-2
INFRASTRUCTURE MANAGEMENT	25	7	-18
PERIMETER FIREWALL	25	20	-5
EFINANCIALS UPGRADE	56	49	-7
<b>TOTAL</b>	<b>1,086</b>	<b>985</b>	<b>-101</b>

### 2.6.2 Breathing Apparatus

At the time of the last monitoring report decisions were being made around whether in house maintenance would be used and the costs of this were being estimated. The outturn shows that these costs are lower than forecast and this has created a variance of £64k.

### 2.6.3 Infrastructure Management

The £18k variance here is due to delivery not being completed prior to 31<sup>st</sup> March 2020. These costs have instead slipped into 2020/21.

## 3 FINANCIAL IMPLICATIONS

3.1 Appendix 1 illustrates capital scheme details and is supported by paragraphs 2.1 to 2.6 above.

Overall the capital budget is over spent by £377k and is largely offset by grants and third party contributions of £166k and £206k respectively. The difference is managed by using under spends to support over spends first followed by consideration of reserve and revenue budget contributions. This is analysed as follows;

	Additional Funding	Report Variances	Report Variances
LLANTWIT MAJOR (co-location cont's offset overspend)	-72	-206	-278
OCCUPATIONAL HEALTH RELOCATION (reserve funding)	-164		-164
CFBT FACILITY CARDIFF GATE (reserve funding)	179		179
ENERGY EFFICIENCY SCHEMES (reserve funding)	-130		-130
WEBSITE PROJECT (reserve funding)	2		2
PLANNED & PREVENTATIVE BARRY	150		150
WATER LADDERS	-1		-1
VANS (LIGHT VEHICLES)	-45		-45
OPERATIONAL 4WD	4		4
MINIBUS	57		57
DATA CENTRE	4		4
SERVICE DESK	-7		-7
EFINANCIALS UPGRADE	5	-49	-49
HQ SWITCH REPLACEMENT			2
RADIOS AND BATTERIES	2		2
MOBILE DATA TERMINALS (part grant funded)	106		106
USAR VEHICLE (grant funded)	-46	-143	-189
		-23	-23
<b>TOTAL</b>	<b>44</b>	<b>-421</b>	<b>-377</b>

#### 4. EQUALITY RISK ASSESSMENT

- 4.1 There are no equality implications resulting directly from this report. Each element of the capital programme will have undergone Equality risk assessments by the responsible project lead, prior to the commencement of the scheme.

#### 5. RECOMMENDATION

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

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Revenue & Capital Budget Determination Report Capital Monitoring working papers 2019/20 Budget Holder Reports

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CAPITAL PROGRAMME 2019/20							APPENDIX 1	
	Project Total £000	SLIPPAGE B/F 2018/19 £000	2019/20 BUDGET £000	ACTUAL AS AT 31.03.20 £000	COMMITTE D AS AT 31.03.20 £000	OUTTURN POSITION 31.03.20 £000	BUDGET UNDER/O VER SPEND £000	SLIPPAGE C/F 2020/21 £000
<b>PROPERTY</b>								
<b>STATION REFURBISHMENTS</b>								
PONTYPRIDD	1,000	0	1,000	328	0	328	0	672
BARRY		0	0	1	0	1	-1	0
ABERDARE		0	0	0	0	0	-0	
MONMOUTH	600	537	0	0	0	0	0	537
NEW INN	2,550	437	0	0	0	0	0	437
TONYPANDY	300	263	0	22	0	22	0	247
OCCUPATIONAL HEALTH RELOCATION (reserve funding)	150	136	0	300	0	300	-164	0
LLANTWIT MAJOR (co-location cont's offset overspend)	0	37	0	315	0	315	-278	0
<b>NEW BUILDS</b>								
CFBT FACILITY CARDIFF GATE (reserve funding)	5,000	475	2,052	2,348	0	2,348	179	0
PLANNED & PREVENTATIVE MAINT	150	150	0	0	0	0	150	0
ENERGY EFFICIENCY SCHEMES (reserve funding)	1,054	209	0	339	0	339	-130	0
	<b>10,804</b>	<b>2,370</b>	<b>3,052</b>	<b>3,655</b>	<b>0</b>	<b>3,655</b>	<b>-244</b>	<b>2,013</b>
<b>VEHICLES</b>								
OPERATIONAL 4WD	240	120	180	0	0	0	57	243
TRUCK (SLIDE DECK / CRANE)	150	150	0	0	0	0	0	150
VANS (LIGHT VEHICLES)	40	40	0	36	0	36	4	0
WATER LADDERS	1,202	464	636	1,205	0	1,205	-45	0
RESCUE TENDERS	235	0	235	0	0	0	0	235
RECOVERY UNIT	115	0	115	0	0	0	0	115
VAN/OPS ESTATE CAR	155	0	155	0	0	0	0	155
RESCUE BOAT	45	45	0	0	0	0	0	45
MINIBUS	28	0	28	24	0	24	4	0
USAR VEHICLE (grant funded)	23	0	0	0	0	0	-23	23
PRIME MOVER (grant funded)	200	0	0	0	0	0	0	0
	<b>2,433</b>	<b>819</b>	<b>1,409</b>	<b>1,264</b>	<b>0</b>	<b>1,264</b>	<b>-3</b>	<b>966</b>
<b>EQUIPMENT</b>								
BREATHING APPARATUS	332	0	300	882	0	882	0	18
HELMETS	242	0	242	0	0	0	0	242
RADIOS AND BATTERIES	435	0	435	329	0	329	106	0
MOBILE DATA TERMINALS (part grant funded)		0	0	189	0	189	-189	0
SERVICE DESK	50	26	0	21	0	21	5	0
HQ SWITCH REPLACEMENT	200	10	0	8	0	8	2	0
WEBSITE PROJECT (reserve funding)	40	8	0	6	0	6	2	0
UNIFIED COMMUNICATION REPLACEMENT	101	101	0	101	0	101	-0	0
DATA CENTRE	100	0	100	107	0	107	-7	0
INFRASTRUCTURE MANAGEMENT	50	0	50	7	0	7	-0	43
MICROSOFT 365	40	0	40	0	0	0	0	40
PERIMETER FIREWALL REPLACEMENT	25	0	25	20	0	20	0	0
MULTIMEDIA	120	0	120	0	0	0	0	120
EFINANCIALS UPGRADE (inc CERA)	53	0	0	49	0	49	-43	0
MASS DECONTAMINATION UNIT (grant funded)	35	0	0	0	0	0	0	0
LCD DETECTION UNITS (grant funded)	320	0	0	0	0	0	0	0
	<b>2,743</b>	<b>145</b>	<b>1,912</b>	<b>1,719</b>	<b>0</b>	<b>1,719</b>	<b>-130</b>	<b>463</b>
<b>TOTAL</b>	<b>15,980</b>	<b>3,334</b>	<b>6,373</b>	<b>6,638</b>	<b>0</b>	<b>6,638</b>	<b>-377</b>	<b>3,442</b>
<b>FUNDING ANALYSIS</b>								
						BORROWING	2,188	
						CO-LOCATION CONTRIBUTIONS	206	
						REVENUE CONTRIBUTION	249	
						REVENUE RESERVES	2,934	
						CAPITAL GRANT	143	
						CAPITAL RECEIPTS	857	
							<b>6,638</b>	

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**AGENDA ITEM NO 7**  
**SOUTH WALES FIRE AND RESCUE AUTHORITY**



**STATEMENT OF ACCOUNTS**

**2019/2020**

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## NARRATIVE REPORT

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

The Authority's Statement of Accounts is a publication required by law; the prime purpose of which is to give clear information about the financial position, the financial performance and accountability of resources for the Authority for the financial year 2019/20.

The Authority's accounts for 2019/2020 consist of the following;

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 Surplus or (Deficit) on the Provision of Services 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.

Expenditure and Funding Analysis (EFA) - The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Local Authority contributions, government grants, other income etc.) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

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.

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 the 2016 Retained Modified Firefighter Pension Schemes.

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/or to produce a management action plan to address identified weaknesses.

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.

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

South Wales Fire and Rescue Authority (the Authority) is responsible for providing an efficient and effective fire and rescue service to the communities of South Wales. The Authority covers 10 unitary authority areas and is made up of 24 elected members drawn from those authorities representative to the number of registered electors.

The Authority incurs revenue spending on items, which are generally consumed within the year, and this is largely financed by contributions from the ten constituent local authorities in proportion to population. For 2019/20, the proportions were as follows:

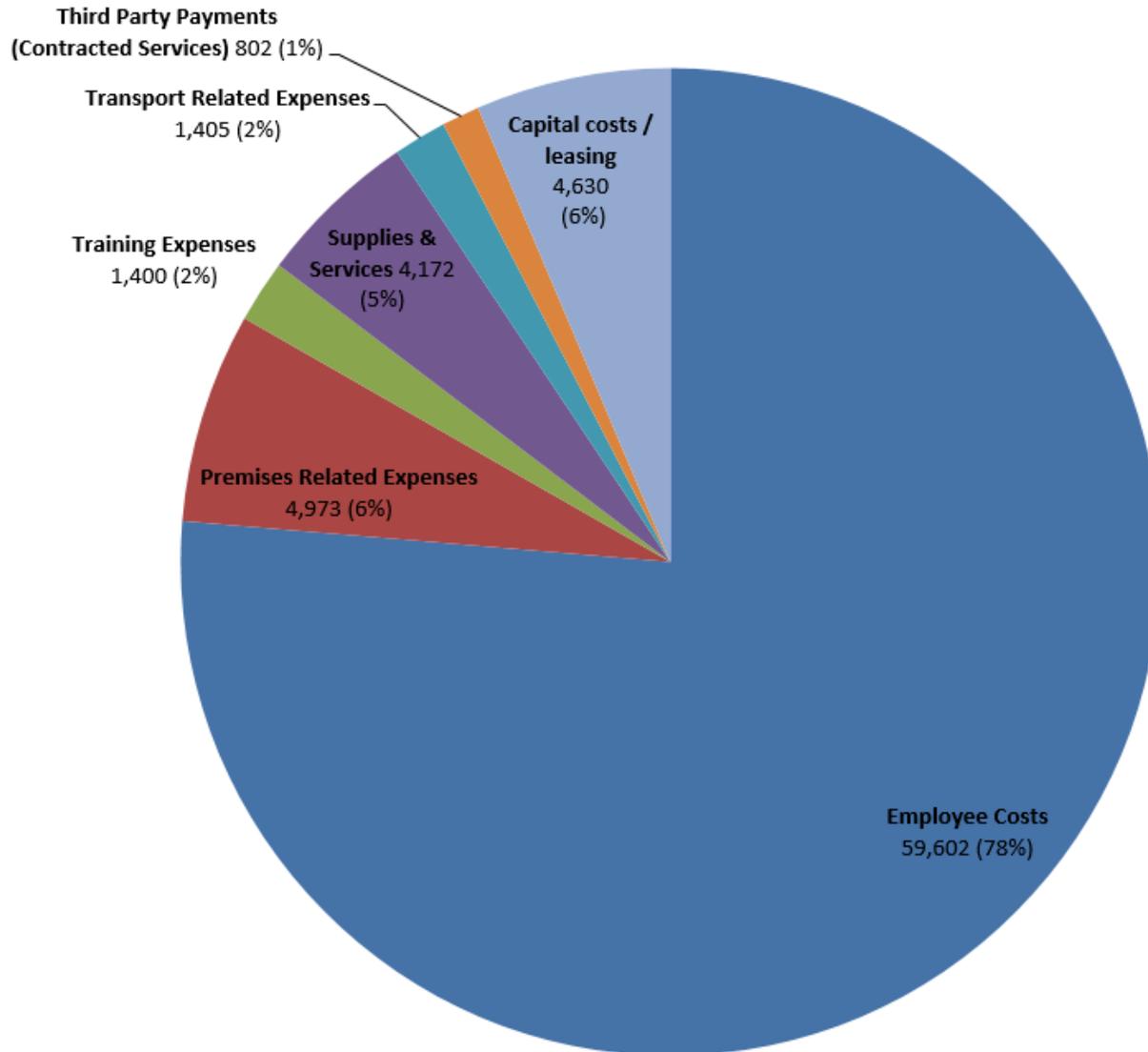
	<b>Values £000</b>	<b>%</b>
Blaenau Gwent County Borough Council	3,267	5
Bridgend County Borough Council	6,747	9
Caerphilly County Borough Council	8,538	12
Cardiff County Council	17,438	24
Merthyr Tydfil County Borough Council	2,790	4
Monmouthshire County Council	4,383	6
Newport County Borough Council	7,028	10
Rhondda Cynon Taff County Borough Council	11,252	16
Torfaen County Borough Council	4,336	6
The Vale of Glamorgan Council	6,048	8
<b>Total</b> (note 30)	<b>71,827</b>	<b>100</b>

### Financial Performance in 2019/20

The financial performance is presented below. The surplus accrued was scrutinised by the Finance, Audit and Performance Management (FAPM) Committee and the Finance and Asset Management Working 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 6)	72,897	76,984	4,087
Income (note 6)	(1,070)	(5,110)	(4,040)
Net Expenditure (note 6)	71,827	71,874	47
Unitary Authority (note 30)	71,827	71,827	0
(Surplus) /Deficit	0	47	47
<b>Capital</b> (inc slippage)			
Capital Spending (note 10)	9,707	6,638	3,069

**Expenditure by type 2019/20**

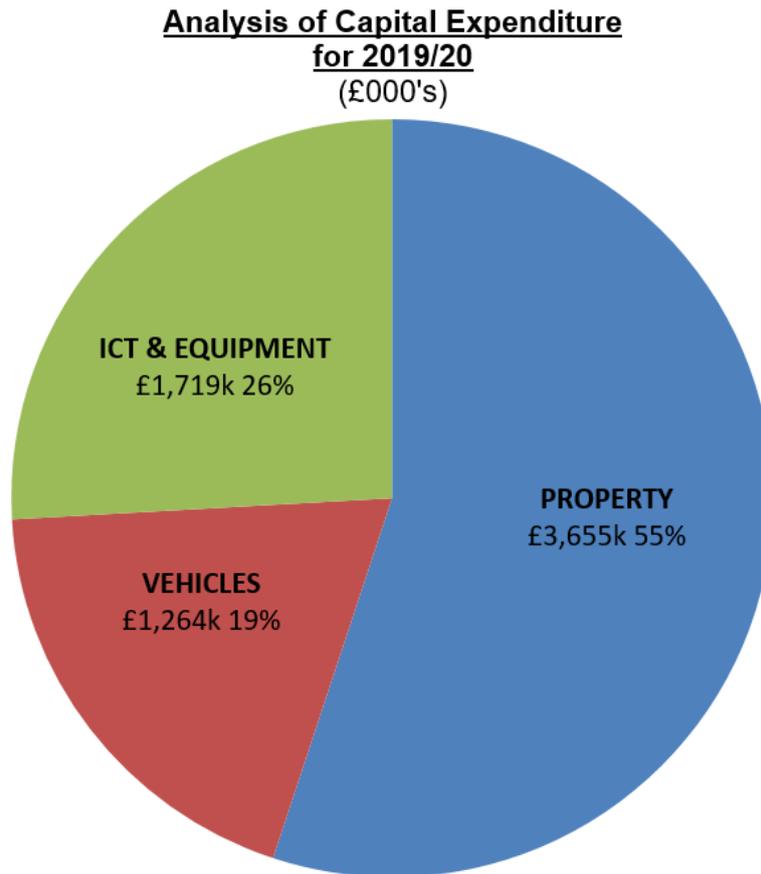


**Analysis of Revenue Expenditure for 2019/20 (£000's)**

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

Total Gross Expenditure for 2019/20:	<b>76,984</b>
Income received for 2019/20:	<b>(5,110)</b>
Total Net Expenditure for 2019/20:	<b>71,874</b>

Capital expenditure in the year amounted to £6.6 Million



### **Capital Borrowing**

The Prudential Code allows the Authority to determine its own borrowing limits subject to the Responsible Financial Officer (RFO) deeming it to be prudent, sustainable and affordable. Loans outstanding comprise those provided by the Public Works Loans Board (PWLB), Welsh Government (WG) in respect of 'Invest To Save' funding for the collaborative Joint Public Service Centre Project and Salix Finance Ltd in respect of interest free funding to support the installation of sustainable LED Lighting. 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 in the 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 £9.1 million. This is a notional charge for depreciation and impairments and an adjustment is made to nullify the effect on the general fund balance.

### **Non Financial Performance in 2019/20**

In 2019/20 the Authority successfully delivered a balance of prevention, protection and emergency response services, with the improvement objectives for the year continuing to be aimed at reducing deliberate fire setting and improving and ensuring the future sustainability of the Service.

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

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

### **Future Financial Plans**

Looking longer term further funding pressures anticipated, including the financial impacts on the Authority following the Covid 19 outbreak. The 2019/20 revenue budget approved by the Fire and Rescue Authority in February gave an increase of 3.5% taking the annual budget to £74.8 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 and vehicle replacement. Investment also continues in operational equipment, PPE and ICT, ensuring our personnel have the best equipment available.

### **Pension liability**

In 2019/20, there were 25 whole-time duty system (WDS), 2 retained duty system (RDS), 2 retained modified scheme (RMS) operational staff retirements and 2 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 35).

### **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. There has been a further provision made during the 2019/20 financial year relating to retirees affected by the review of protected pension age liabilities.

### **Reserve Accounting**

At the end of the financial year, the Statement of Accounts shows financial reserves carried forward into 2019/20. 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**

The financial implications of the current economic climate were clearly reflected in the updated Medium Term Financial Strategy. Throughout the year the service continued to place an emphasis on efficiencies, proactive budget management and improved procurement planning in an effort to reduce in year costs and impacts on future budgets.

### **Additional Information**

Additional information about these accounts is available from the Head of Finance and Procurement. 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:**

## 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 2018/19 ("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 2019 and its income and expenditure for the year then ended.

**Signature:** \_\_\_\_\_ **Treasurer**

**Date: 29 July 2020**

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

**Signature:** \_\_\_\_\_ **Fire & Rescue Authority Chair**

**Date: 29 July 2020**

## Appendix 1

### **ANNUAL GOVERNANCE STATEMENT YEAR ENDING MARCH 2020**

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 new framework and its seven core principles of good governance to ensure that resources are directed in accordance with agreed policy and agreed priorities.

#### **1. Scope of Responsibility**

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

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

This statement explains how SWFRA has complied with Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014, in relation to the publication of a statement on internal control.

#### **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. It 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, and the impact should they be realised, and to manage them efficiently, effectively, and economically.

The Governance Framework has been in place at SWFRA for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

### **3. The Governance Framework**

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

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

Membership is made up of Members of the 10 unitary authorities covered by the SWFRS service area as defined by the Fire Service (Combination Scheme) Order 1995.

SWFRA is organised into committees and a scrutiny group which are appointed at the annual meeting. Each committee and the scrutiny group has a comprehensive set of terms of reference which, together with details of their membership, can be found on the website. Working groups are established on an ad-hoc basis as and when required.

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

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

Constitutional Documents – SWFRA has a suite of constitutional documents that can be found on its website. These include General Standing Orders, Procedural Standing Orders, Contract Standing

Orders, Scheme of Delegations and Financial Regulations. These documents are regularly reviewed by the Monitoring Officer and Treasurer, and any identified changes needed are carried out under delegated authority or are reported to SWFRA for their approval.

In order to provide a practical method of operational and financial management throughout the organisation, officers have been given certain powers by SWFRA in the form of Officer Delegations. Under the Local Government Act 1972, a list of these powers must be maintained and this is done by the Monitoring Officer who regularly reviews their effectiveness any identified changes needed are carried out under delegated authority or are reported to SWFRA for their approval. These powers form an integral part of the Governance arrangements and were last reviewed in March 2019.

The Medium Term Financial Strategy (MTFS) covers the period 2019-2020 to 2021-2022 and forms the cornerstone of the detailed budget construction annually. It provides a view on potential funding both nationally and locally. The Strategy considers:

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

Strategic Plan – The plan outlines the direction that the organisation is taking and how we intend to meet the challenges over the next 5 years in order to continue to deliver high quality services that meet the needs of our communities.

SWFRA's performance against the Strategic Plan, and Statutory indicators is reported regularly to SWFRA and Finance Audit and Performance (FAPM) Committee together with an overall report that is reported annually to SWFRA and on our website through the document [How Did We Do in 2018/2019 and What We Plan to do 2020/2021](#).

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 normally covers a five year period and addresses the requirements of the Well-being of Future Generations (Wales) Act 2015 together with the requirements of the Welsh Government's Wales Fire and Rescue Services National Framework Document 2016. Each directorate and department formulate their own plans in support of the strategic objectives which are reported on quarterly.

Risk Management Policy - sets out the process we use to identify and control exposure to uncertainty, which may impact on the achievement of our objectives or activities. Senior managers identify, review and score the Strategic Risks assessing them in terms of likelihood and impact; identify any actions in place and any further actions required to prevent the likelihood of risk occurring or to mitigate the impact should they occur. The Corporate Risk Register records these risks, and they are regularly monitored and reported. Strategic Risks are reported to the SWFRA FAPM Committee.

The FAPM Committee considers the effectiveness of the SWFRA's risk management arrangements and the work of the Internal and External Auditors. The FAPM Committee meets with the auditors privately following each committee meeting. In 2019/20 the FAPM Scrutiny Group will also considered departmental risks.

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.

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

The Director of Corporate Services is designated the Monitoring Officer in accordance with the Local Government and Housing Act 1989, and ensures compliance with established policies, procedures, laws and regulations.

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

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

The Auditor General for Wales is SWFRA's statutory auditor, with the audit provided by the Wales Audit Office. They provide challenge under the Public Audit (Wales) Measure 2004, The Local Government (Wales) Measure 2009, the Local Government Act 1999 and the Code of Audit Practice. They issue annual reports or statements on the performance of SWFRA, namely to:

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

The Auditor General and Wales Audit Office, present their Audit Plan to Members annually and regularly report progress and outcomes to them. The Wales Audit Office also has private meetings with Members following FAPM Committee meetings where they can discuss issues without officers being present. All reports are published on the Wales Audit Office 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.

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, 2018, within 12 months. Accordingly SWFRA published this information within the deadline.

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

Related party returns are completed and signed by SWFRA Members and senior officers in accordance with the Code of Practice on Local Authority Accounting in the UK. These returns help to establish transactions and balances as required by the relevant accounting standard (International Accounting Standard 24, Related Party Disclosures). They indicate if the Officers within SWFRA have been involved in any transactions with individuals or any relatives or close acquaintance.

#### **4. Review of Effectiveness**

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

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

- Regular review of policies and procedures by the officer responsible and by the Service Senior Management Team.
- Regular review of the constitutional documents and ethical governance arrangements by the Monitoring Officer and Treasurer, which were last reviewed in March 2019.
- The FAPM Committee regularly scrutinises the revenue and capital expenditure against the allocated budget together with regular scrutiny of the performance of the Service against the Strategic Plan.

- Senior Officers regularly review the organisational risks with regular reports to Members through the FRA and FAPM Committee.
- SWFRA received annual reports from each of its committees and the Scrutiny group outlining the work that had been undertaken throughout the year, giving Members the opportunity to challenge and scrutinise any area that they feel fit.
- The appointed internal auditor TIAA Limited provides SWFRA, through its Finance, Audit and Performance Management 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 in their opinion the organisation has reasonable and effective management, control and governance processes to manage the achievements of its objectives.

### Head of Internal Audit Opinion

“TIAA is satisfied that, for the areas reviewed during the year, South Wales Fire and Rescue Service has reasonable and effective risk management, control and governance processes in place.

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by the South Wales Fire and Rescue Service from its various sources of assurance.”

- The Auditor General of the Wales Audit Office also provides assurance to SWFRA, through their [Annual Audit Letter – South Wales Fire and Rescue Authority 2018-19](#).

## Auditor General's Opinion

"I am satisfied that the Authority has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources."

- The Auditor General provides assurance on financial matters and confirmed that as stated in their report dated 31 July 2019 that:
- The Auditor General issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Authority's and Fire Fighters' Pension Fund's financial position and transactions.
- The Auditor General confirmed in their [Annual Improvement Report 2018-19 South Wales Fire and Rescue Authority \(issued May 2019\)](#): that "Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Authority is likely to comply with the requirements of the Local Government Measure (2009) during 2019-20."

## 5. How We Met Significant Governance Issues and Challenges for 2019-2020

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 sets out the [Standards that apply to SWFRA](#) in September 2016 which, along with any exemptions and their implementation dates. SWFRA receive an annual report on compliance against the standards.

The Service has continued to develop the Business Management Information System (BMIS) which has enabled us for the first time to link and display our overall performance to help inform us of how well we are doing as a Service and drive decision making. Over the last twelve months further functionality of the system has been developed to include our departmental risks, we are continuing to monitor actions

arising from audits as well as developing initial internal assurance measures using additional statistical information.

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

The Services integrated Core HR and Payroll system successfully rolled out the expenses and health and safety modules as well as the recording of hours, annual leave and attendance for Green Book staff.

The aim of the Well-being of Future Generations Act 2015 is to improve the social, economic, environmental and cultural well-being of Wales. As one of the statutory partners on nine Public Service Boards, we supported the development of the Local Well-being Plans. The Service completed the first Self-Assessment as required by the commissioner.

The Services wellbeing statement is published in the [Strategic Plan 2019-2024](#) which is available on our [website](#).

We continue 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 nine Public Service Boards, we continue to support the local Well-being Plans, and have evidenced through annual review how the goals are being achieved. We have ensured that we are able to deliver against the needs and expectations of each Public Service Board's objectives without impacting on the day-to-day service delivery of the organisation.

The organisational restructure review was approved by the FRA in September 2018 and the Service worked to implement the majority of the changes towards the revised establishment by 31st March 2019.

The Service has implemented a co-location project in Llantwit Major with South Wales Police, Welsh Ambulance Service Trust and the Coast Guard that was completed in 2019. Further works were completed at Caerphilly Fire Station to facilitate better integration with Welsh Ambulance Service Trust.

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

## **6. Significant Governance Issues and Challenges for 2020 -2021**

Over the next 12 months the Service will continue the development of the Business Management Information System (BMIS) rolling out the system to Stations to allow greater interaction and use of the system particularly additional statistical data. Further functionality will be exploited to include additional plans and potentially include Project Management information.

The services integrated Core HR and Payroll system will again be further developed looking to rollout new modules which will further improve efficiency and internal processes.

The Service will commence and progress the Job Evaluation Project following the implementation of the revised structure for Green Book Staff.

Changes to pension and tax legislation continues to provide challenges to the organisation and the capacity to deal with the complex issues with existing resources continues to be of concern with various options being explored.

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

The Accounts and Audit (Wales) (Amendment) Regulations 2018 set the requirement to approve and publish the accounts by 31 May and 31 July respectively from 31st March 2019 (previously 30 June and 30 September). The closure of the accounts at year end was successful project. Plans and preparations for maintaining the shortened timetable in 2020/21 are well underway using lessons learned from last year. The service accountancy team has worked with WAO so that any completed work can be passed to the external audit team.

In November 2018 the Welsh Government published for consultation a White Paper "Reform of Fire and Rescue Authorities in Wales". A full consultation response on the proposed changes to governance, funding and performance management arrangements for Fire and Rescue Authorities was completed in February 2019. The Service will await Welsh Government's response to the consultation and consider the implications for both the SWFRA and the Service at this time.

Welsh Government published the Local Government and Elections (Wales) Bill in November 2019. The authority will monitor the Bills progress and take necessary actions as a consequence of the various Bill provisions being implemented.

The FRA will continue to follow the progress of national negotiations on pay and the broadening of the Firefighter role and access any consequent impacts upon the Authority.

## 7. Governance Action Plans

<b>Governance Action Plan 2019-2020</b>					
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>	<b>Progress</b>
Faster Closure of Accounts	To approve and publish the accounts by 31 May and 31 July respectively from 31 <sup>st</sup> March 2019 (previously 30 June and 30 September)	The successful accelerated closure of the accounts at year end will enable earlier auditing ensuring compliance with the Accounts and Audit (Wales) (Amendment) Regulations 2018	Head of Finance	July 2019	Faster closure of accounts was successfully achieved. Lessons learned have been implemented into the revised plan for 2020/2021 to ensure continued successful completion to the revised timescales.
Reform of Fire and Rescue Authorities in Wales	Respond to the requirements placed upon the organisation	The Service will be in compliance with requirements from Welsh Government and able to evidence robust Governance, Financial arrangements and performance management.	Director Corporate Services.	To be determined pending Welsh Government response to the White Paper.	The Service continues to proactively engage with Welsh Government. Once Welsh Government direction of travel is released the Service will implement necessary actions. This has been included as an action in the 2020-2021 Governance Action Plan.

<b>Governance Action Plan 2019-2020</b>					
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>	<b>Progress</b>
Brexit	Provide adequate planning and resilience through the Brexit Process	The Service will continue to deliver all functions during the Brexit process and beyond.	Director Technical Services	March 2020	Significant preparations have been made with regular internal meetings and updates. External meetings with Local Resilience Forums will ensure a consistent approach. This has been included as an action in the 2020-2021 Governance Action Plan to monitor ongoing issues following withdrawal from the EU.
Pensions Appeals	To process appeals resulting from the Additional Pensions Benefit (APB) decision.	Appeals determined	ELT Pensions Appeals Panel (Members )	As per the process.	The internal pensions appeals process has been fully supported and completed and we will monitor external appeals as appropriate.

<b>Governance Action Plan 2019-2020</b>					
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>	<b>Progress</b>
Ensure a high level of Operational Preparedness.	Develop structured reporting mechanisms of assurance and exercising across Operations and supporting departments .	The Service will be prepared to deliver the full range of functions expected through legislation and able to evidence this high level of preparedness.	Director Service Delivery	March 2020	The Service has followed an extensive programme of Operational Exercises testing a number of scenarios as well as Unitary Authority based station audits providing assurance in multiple aspects of Operational Preparedness capability of the Service.
Constitutional Documents	To review and update the Constitutional Documents of the Service	The constitutional documents will be updated to reflect the revised Structure of the organisation.	Monitoring Officer	May 2019	The constitutional documents were updated to reflect the revised structure in May 2019. A full review of the constitutional documents is currently on hold depending determination by Welsh Government of the direction of travel for the FRA in the future.

<b>Governance Action Plan 2020-2021</b>				
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>
Reform of Fire and Rescue Authorities in Wales	Respond to the requirements placed upon the organisation	The Service will be in compliance with requirements from Welsh Government and able to evidence robust Governance, Financial arrangements and performance management.	Director Corporate Services.	To be determined pending Welsh Government response to the White Paper.
Brexit	Provide adequate planning and resilience through the Brexit Process	The Service will continue to deliver all functions during the Brexit process and beyond.	Director Technical Services	March 2021
Pensions Appeals	To implement the decisions of national pensions appeals in line with national guidance when issued.	Appeals determined	Director People Services	As per the national guidance.
Job Evaluation	The 227 Corporate (Green Book) posts within the Service will be reviewed to Ensure that our people are remunerated fairly in line with their current roles and responsibilities	Identify appropriate remuneration for individual roles.	Director People Services	September 2021

<b>Governance Action Plan 2020-2021</b>				
<b>Issue</b>	<b>Action</b>	<b>Outcome</b>	<b>Lead Officer</b>	<b>Completion Date</b>
Biodiversity and Carbon Reduction Plan	To seek to maintain and enhance biodiversity in the proper exercise of the Services functions, and in doing so promote the resilience of ecosystems.	Develop and implement the first 3 year plan to reduce the impact of the Service on the environment and support the Environmental objectives of the Wellbeing Future Generations Act.	Deputy Chief Fire Officer	March 2023

8. We propose to take steps to address all of the above matters to further enhance our governance arrangements during the coming year as outlined in the plan above. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review. However due to external influences beyond our control it may not be possible to achieve everything identified.

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

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

## AUDITORS REPORT

### The independent auditor's report of the Auditor General for Wales to the members of South Wales Fire and Rescue Authority

#### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of:

- the South Wales Fire and Rescue Authority; and
- the Fire Fighters' Pension Fund Account.

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

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

The Fire Fighters' Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2019 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of South Wales Fire and Rescue Authority and the Fire Fighters' Pension Fund as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2019.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the 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

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fire and Rescue Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Report on other requirements**

#### **Opinion on other matters**

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with guidance.

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

In the light of the knowledge and understanding of the Fire and Rescue Authority 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:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

**Certificate of completion of audit**

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the Fire and Rescue Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
31 July 2019

24 Cathedral Road  
Cardiff  
CF11 9LJ

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT (CIES)

2018/19				2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
111,814	-3,938	107,876	Fire Fighting costs	86,557	-5,174	81,383
111,814	-3,938	107,876	<b>Cost of Services</b>	86,557	-5,174	81,383
0	-114	-114	Other operating income & expenditure (note 7)	0	-31	-31
25,109	-73	25,036	Financing and investment income and expenditure (note 8)	25,276	-79	25,197
0	-72,566	-72,566	Taxation and non-specific grant income (note 9)	0	-72,909	-72,909
			<b>60,232 Deficit on Provision of Services</b>			
			Surplus or Deficit on Revaluation of Property, Plant and Equipment	2,295	-4,935	-2,640
			Depreciation on non current assets charged to Revaluation Reserve			
			Impairment losses on non current assets charged to Revaluation Reserve			
			-8,840	-82,120	-82,120	
			-8,840			84,760
			<b>51,392 Total Comprehensive (Income) and Expenditure</b>			
						<b>51,120</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 2019 carried forward</b>	-3,000	-12,448	-901	-16,349	934,766	918,417
<b>Total Comprehensive Income and Expenditure</b>	33,640	0	0	33,640	-84,760	-51,120
Adjustments between accounting basis and funding basis under regulations (note 3)	-33,593	3,056	827	-29,710	29,710	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	47	3,056	827	3,930	-55,050	-51,120
Transfers to/(from) Earmarked Reserves	-47	47	0	0	0	0
<b>(Increase)/Decrease in 2019/20</b>	0	3,103	827	3,930	-55,050	-51,120
<b>Balance as at 31 March 2020 carried forward</b>	-3,000	-9,345	-74	-12,419	879,716	867,297

	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 2018 carried forward</b>	<b>-3,000</b>	<b>-14,975</b>	<b>-787</b>	<b>-18,762</b>	<b>885,787</b>	<b>867,025</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>60,232</b>	<b>0</b>	<b>0</b>	<b>60,232</b>	<b>-8,840</b>	<b>51,392</b>
Adjustments between accounting basis and funding basis under regulations (note 3)	-61,040	3,335	-114	-57,819	57,819	0
<b>Net (Increase)/Decrease before Transfers to Earmarked Reserves</b>	<b>-808</b>	<b>3,335</b>	<b>-114</b>	<b>2,413</b>	<b>48,979</b>	<b>51,392</b>
Transfers to/(from) Earmarked Reserves	808	-808	0	0	0	0
<b>(Increase)/Decrease in 2018/19</b>	<b>0</b>	<b>2,527</b>	<b>-114</b>	<b>2,413</b>	<b>48,979</b>	<b>51,392</b>
<b>Balance as at 31 March 2019 carried forward</b>	<b>-3,000</b>	<b>-12,448</b>	<b>-901</b>	<b>-16,349</b>	<b>934,766</b>	<b>918,417</b>

## BALANCE SHEET

31 March 2019		31 March 2020	
£000		£000	Notes
79,614	Property, Plant and Equipment	82,925	10
176	Intangible assets	134	
500	Long Term Debtors	400	14
<b>80,290</b>	<b>Long Term Assets</b>	<b>83,459</b>	
727	Inventories	711	
6,186	Short Term Debtors	2,328	14
6,354	Cash and Cash Equivalents	1,900	15
0	Short Term Investment	0	13
<b>13,267</b>	<b>Current Assets</b>	<b>4,939</b>	
-9	Short Term Liabilities	-229	34
-4,855	Short Term Borrowing	-2,571	11
-4,030	Short Term Creditors	-3,734	16
-38	Provisions	-165	17
<b>-8,932</b>	<b>Current Liabilities</b>	<b>-6,572</b>	
-26,478	Long Term Borrowing	-24,061	11
-4,690	Other Long Term Liabilities – PFI	-4,461	34
-971,874	Liability related to defined benefit pension schemes	-920,474	35
<b>-1,003,042</b>	<b>Long Term Liabilities</b>	<b>-948,996</b>	
<b>-918,417</b>	<b>Net Assets</b>	<b>-867,297</b>	
-16,349	Usable Reserves	-12,419	18
934,766	Unusable Reserves	879,716	19
<b>918,417</b>	<b>Total Reserves</b>	<b>867,297</b>	

## CASH FLOW STATEMENT

2018/19		2019/20
£000		£000
<b>60,232</b>	<b>Net deficit on the provision of services</b> (CIES & note 24)	<b>33,640</b>
-61,915	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 24)	-40,484
-1,534	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 24)	-1,304
<hr/> -3,217	Net cash (inflow)/outflow from Operating Activities	<hr/> -8,148
-455	Investing Activities (note 25)	6,460
4,622	Financing Activities (note 25)	6,144
<hr/> 950	Net (increase) or decrease in cash and cash equivalents	<hr/> 4,455
7,304	Cash and cash equivalents at the beginning of the reporting period	6,355
<hr/> 6,354	<b>Cash and cash equivalents at the end of the reporting period (note 15)</b>	<hr/> 1,900
<hr/>		<hr/>

### Note

A detailed breakdown of the above is provided in note 24 and 25

## **ACCOUNTING POLICIES**

### **GENERAL**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position for the year ended 31 March 2019. 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 2018/19 (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 22, 35 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 35 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).

## **UK EXIT FROM THE EUROPEAN UNION**

The United Kingdom Government invoked article 50 of the Lisbon Treaty on March 29 2017 to begin the process of leaving the European Union. Negotiations over the exit began in June 2017 and are still ongoing.

There are no immediate changes to reporting requirements, and the Authority will continue to monitor the short and longer term impacts of market volatility, funding streams and the effect on the fair value of financial assets and liabilities. The risks associated with these will also be considered at a strategic level.

## **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 cashflow 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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

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

### **GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

### **INVENTORIES AND LONG TERM CONTRACTS**

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

### **LEASES**

#### **Finance leases**

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

#### **Operating Leases**

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

### **PROPERTY, PLANT AND EQUIPMENT**

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Property, Plant and Equipment are capitalised where:

- it is held for use in delivering services;
- it is probable that future economic benefits will flow to, or service potentially be provided to, the Authority;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably;
- the cost of the individual asset is at least £10,000;
- the items form a group of assets which individually have a cost of at least £250, collectively have a cost of at least £10,000, where the assets are functionally interdependent, they broadly have simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; and
- the items form part of the initial equipping and setting-up cost of a new building or refurbishment of a station or offices, irrespective of their individual or collective cost. Where a large asset, for example a building, includes a number of components with significantly different asset lives e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

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

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

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

Land and building assets are valued every 5 years by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual. Annual impairment reviews are carried out in other years internally. The annual reviews are conducted using the most appropriate information available at the date of the review. A full revaluation was last carried out in the year ending 31 March 2015.

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**

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

## 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 2019 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
Property, Plant and Equipment  (note 10)	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls.
Pension Liabilities  (note 35)	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.

**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

2018/19				2019/20			
General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movements in Unusable reserves £000	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Movements in Unusable Reserves £000
				<b>Adjustments primarily involving the Capital Adjustment Account:</b>			
				<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
-5,659	0	0	5,659	-6,009	0	0	6,009
				Charges for depreciation and impairment of non-current assets			
92	0	0	-92	144	0	0	-144
				Revaluation losses on Property Plant and Equipment			
				Capital grants and contributions applied			
				Fair value adjustment on assets held for sale			
10	-10	0	0	-62	62	0	0
				Adjustment to deferred liability on finance leases			
				PFI transactions to earmarked reserves			
115	0	-114	-1	30	-30	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			
-5,442	-10	-114	5,566	-5,897	62	-30	5,865
				<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>			
2,802	0	0	-2,802	2,909	0	0	-2,909
				<b>Statutory provision for the financing of Capital Investment</b>			
389	3,345	0	-3,734	455	2,994		-3,449
				Capital expenditure charged against the General Fund			
				<b>Adjustments primarily involving the capital receipts reserve:</b>			
				Transfer of cash sale proceeds credited as part of the gain/loss on disposal			
				Contribution from the Capital Receipts Reserve to finance new capital expenditure			
3,191	3,345		-6,536	3,364	2,994	857	-7,215
				<b>Adjustment primarily involving the Deferred Capital Receipts Reserve:</b>			
				Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement			
				<b>Adjustments primarily involving the Pensions Reserve:</b>			
-66,468	0	0	66,468	-52,620	0	0	52,620
				Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement			
7,663			-7,663	21,900	0	0	-21,900
				Employer's pension contributions and direct payments to pensioners payable in the year			
-58,805			58,805	-30,720	0	0	30,720
				<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 23)			
16	0	0	-16	-339	0	0	339
-61,040	3,335	-114	57,819	-33,593	3,056	827	29,710
				<b>Total Adjustments:</b>			

#### Note 4 – POST BALANCE SHEET EVENTS

There have been no post balance sheet events.

#### Note 5 – EXPENDITURE AND FUNDING ANALYSIS (EFA)

2018/19			2019/20			
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
70,355	37,521	107,876	Fire Fighting Services	71,874	9,509	81,383
<b>70,355</b>	<b>37,521</b>	<b>107,876</b>	Net Cost of Services	<b>71,874</b>	<b>9,509</b>	<b>81,383</b>
-71,163	23,519	-47,644	Other Income and Expenditure	-71,827	24,084	-47,743
<b>-808</b>	<b>61,040</b>	<b>60,232</b>	(Surplus) / Deficit (Note 5 and Note 6)	<b>47</b>	<b>33,593</b>	<b>33,640</b>
-3,000			Opening General Fund Balance	-3,000		
-808			+/- (Surplus) / Deficit on General Fund	47		
<b>808</b>			Transfers to / (from) earmarked reserves	<b>-47</b>		
<b>-3,000</b>			<b>Closing General Fund Balance at 31 March</b>	<b>-3,000</b>		

	<b>2019/20</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	2,655	6,969	-115	9,509
<b>Net Cost of Services</b>	<b>2,655</b>	<b>6,970</b>	<b>-115</b>	<b>9,509</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-31</b>	<b>23,750</b>	<b>365</b>	<b>24,084</b>
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services</b>	<b>2,624</b>	<b>30,719</b>	<b>250</b>	<b>33,593</b>
	<b>2018/19</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	2,548	35,395	-422	37,521
<b>Net Cost of Services</b>	<b>2,548</b>	<b>35,395</b>	<b>-422</b>	<b>37,521</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>-114</b>	<b>23,410</b>	<b>223</b>	<b>23,519</b>
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services</b>	<b>2,434</b>	<b>58,805</b>	<b>-199</b>	<b>61,040</b>

## Note 6 - EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>
<b>Expenditure</b>		
Salaries, NI & Superann	53,541	58,170
Pensions (ill health)	930	992
Travel & Subsistence	473	440
<b>Total Employee Costs</b>	<b>54,944</b>	<b>59,602</b>
Premises Related Expenses	4,957	4,973
Training Expenses	1,471	1,400
Supplies & Services	3,827	4,172
Transport Related Expenses	1,262	1,405
Contracted Services	895	802
Capital Costs / leases	4,620	4,630
Gross Expenditure	71,976	76,984
Income	-1,621	-5,110
<b>(Surplus) / Deficit for the year</b>	<b>70,355</b>	<b>71,874</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	-16	339
IAS 19 adjustments	58,805	30,720
PFI operating costs	1,560	1,725
Financing adj re: PFI /Leases	391	358
Depreciation (Inc impairments)	5,659	6,009
Capital grant	-92	-143
Non-current asset disposal	-114	-31
Contributions from constituent authorities	-71,163	-71,827
Grant	-1,122	-1,082

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

CERA	-389	-455
MRP (exc PFI & Leases)	-2,722	-2,900
Contribution to PFI	-920	-947

<b>(Surplus) / Deficit on the Provision of Services</b>	<b>60,232</b>	<b>33,640</b>
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**Note 7 - OTHER OPERATING EXPENDITURE AND INCOME**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
-114	Net (Gain)/Loss on disposal of non-current assets	-31
<b>-114</b>	<b>Total</b>	<b>-31</b>

**Note 8 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
1,699	Interest payable and similar charges	1,526
23,410	Pensions interest cost and expected return on pensions assets	23,750
-73	Interest receivable and similar income	-79
<b>25,036</b>	<b>Total</b>	<b>25,197</b>

**Note 9 - TAXATION AND NON SPECIFIC GRANT INCOME**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
71,163	Local Authority Contributions (note 30)	71,827
281	Capital Grants & Contributions	0
1,122	Government Grants – PFI (note 34)	1,082
<b>72,566</b>	<b>Total</b>	<b>72,909</b>

## Note 10 - PLANT, PROPERTY, EQUIPMENT (PPE) & INTANGIBLE ASSETS

### Fixed Assets 2019/20

	Land & Buildings	Vehicles & Equipment	Training Centre / PFI	AUC Total	PPE Total
<u>Cost/Valuation</u>	£000	£000	£000	£000	£000
Gross book value at 31 March 2019	66,502	32,099	5,750	1,965	106,316
Additions	3,647	2,914			6,561
Revaluation	727		84		811
Assets under construction	1,933	32		-1,965	0
Reclassification of PFI	-56		56		0
Adjustment for 16/17 disposals		621			621
Disposal of Assets	-10	-169			-179
Impairment	-9,854	-417			-10,271
Gross book value at 31 March 2020	62,889	35,080	5,890	0	103,859
<b><u>Depreciation and Impairments</u></b>					
Accumulated depreciation at 31 March 2019	7,443	18,435	824	0	26,702
Annual depreciation	1,851	2,048	160	0	4,059
Adjustment for 16/17 disposals		621			621
Disposal of Assets	-10	-169			-179
Accumulated Depreciation on Revaluation	-9,284		-984	0	-10,268
Accumulated depreciation as at 31 March 2020	0	20,935	0	0	20,935
Net book value at 31 March 2019	59,059	13,664	4,926	1,965	79,614
Net book value at 31 March 2020	62,889	14,145	5,890	0	82,924

Note: all properties with exception of PFI are freehold.

### **Assets under construction (AUC)**

Movements relate to the breathing apparatus project and Compartment Fire Behaviour Training (CFBT) facility which have now been completed.

**Fixed Assets 2018/19**

	Land & Buildings	Vehicles & Equipment	Training Centre / PFI	AUC Total	PPE Total
<u>Cost/Valuation</u>	£000	£000	£000	£000	£000
Gross book value at 31 March 2018	66,258	32,252	5,750	8	104,268
Additions	1,978	686	0	1,957	4,621
Reclassification of Assets Under Construction					
Disposal of Assets	0	-803	0	0	-803
Impairment	-1,734	-36	0	0	-1,770
Gross book value at 31 March 2019	66,502	32,099	5,750	1,965	106,316
<b><u>Depreciation and Impairments</u></b>					
Accumulated depreciation at 31 March 2018	5,779	17,316	665	0	23,760
Annual depreciation	1,837	1,922	159	0	3,918
Disposal of Assets	0	-803	0	0	-803
	-173	0	0	0	-173
Accumulated depreciation as at 31 March 2019	7,443	18,435	824	0	26,702
Net book value at 31 March 2018	60,479	14,936	5,085	8	80,508
Net book value at 31 March 2019	59,059	13,664	4,926	1,965	79,614

Note: all properties with exception of PFI are freehold.

**Assets under construction (AUC)**

Additions relate to the breathing apparatus project which will be progressed during 2019/20 and ongoing construction works for the Compartment Fire Behaviour Training (CFBT) facility, which is also due for completion during 2019/20.

## Note 11 - 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 2019	31 March 2020	31 March 2019	31 March 2020
<b>Borrowing</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financial liabilities (principal amount)	26,478	24,061	4,510	2,416
+ Accrued Interest (accrued interest is short term)	0	0	345	155
<b>Total borrowings</b>	<b>26,478</b>	<b>24,061</b>	<b>4,855</b>	<b>2,571</b>
<b>PFI and finance lease liabilities</b>	<b>4,690</b>	<b>4,461</b>	<b>9</b>	<b>229</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	4,030	3,734
<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	22	0
<b>Cash and Cash Equivalents</b>	<b>0</b>	<b>0</b>	<b>3,500</b>	<b>0</b>
<b>Total investments</b>	<b>0</b>	<b>0</b>	<b>3,522</b>	<b>0</b>
<b>Total debtors</b>	<b>500</b>	<b>400</b>	<b>6,186</b>	<b>2,328</b>

**Note 1** – Under accounting requirements the carrying value of the financial instrument is shown in the balance sheet which includes the principal amount borrowed or invested. Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

### 2. Financial instruments Gains/Losses

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

<b>Financial Instruments Gains and Losses</b>				
	2018/19		2019/20	
	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>1,699</b>	<b>0</b>	<b>1,526</b>	<b>0</b>
Interest income in Surplus or Deficit on the Provision of Services	<b>0</b>	<b>73</b>	<b>0</b>	<b>79</b>
Net gain/(loss) for the year	<b>1,699</b>	<b>73</b>	<b>1,526</b>	<b>79</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 19 £000's	Actual 31 March 20 £000's
Less than 1 year	0%	25%	4,510	2,416
Between 1 and 2 years	0%	30%	2,416	916
Between 2 and 5 years	0%	50%	3,613	4,186
Between 5 and 10 years	0%	70%	8,202	7,859
More than 10years	0%	95%	12,246	11,100
<b>Total</b>			<b>30,987</b>	<b>26,477</b>

The debt portfolio comprises of both Equal Installment of Principal (EIP) and Maturity loans and the average debt rate equates to 4.37%. Loans outstanding at the balance sheet date comprise £26.44 million with PWLB, Invest to save borrowing became payable over a 3 year period commencing 2017/18 and matured this financial year and £35k with Salix. Invest to save funding is interest free financing for the Joint Public Sector Centre that will provide sustainable budget savings. Salix Funding of £83k became payable over a 6 year period commencing 2016/17. Salix Finance Ltd is an independent, not for profit company partly funded by Welsh Government. It delivers 100% interest-free financing to the public sector to improve energy efficiency and reduce carbon emissions.

#### **Note 12 - 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 2019		31 March 2020	
		Carrying amount	Fair value	Carrying amount	Fair value
PWLB debt		29,939	35,724	26,443	30,934
Non-PWLB debt		1,048	1,048	35	35
<b>Total debt</b>		<b>30,987</b>	<b>36,772</b>	<b>26,478</b>	<b>30,969</b>

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

### Note 13 - SHORT TERM INVESTMENTS

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

### Note 14 - DEBTORS

31 March 2019		31 March 2020
£000		£000
4,169	Central Government Bodies	374
1,774	Other Local Authorities*	1,584
160	NHS Bodies	80
0	Public Corporations and Trading Funds	0
583	Other Entities and Individuals	690
<b>6,686</b>	<b>Total</b>	<b>2,728</b>

\* Includes long term debtors of £500k for 18/19 and £400k for 19/20

**Note 15 - CASH & CASH EQUIVALENTS**

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
0	Cash held by the Authority	0
2,854	Bank current accounts	1,900
3,500	Fixed term deposits	0
<b><u>6,354</u></b>	<b>Total</b>	<b><u>1,900</u></b>

**Note 16 - CREDITORS**

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
1,464	Central government bodies	1,464
480	Other local authorities	572
13	NHS Bodies	15
43	Public Corporations and Trading Funds	0
1,532	Other Entities and Individuals	846
498	Accumulated Absences (note 23)	837
<b><u>4,030</u></b>	<b>Total</b>	<b><u>3,734</u></b>

**Note 17 - PROVISIONS**

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
38	Part time worker regulations	38
0	Protected pension age (PPA)	127
<b><u>38</u></b>	<b>Total</b>	<b><u>165</u></b>

**Note 18 - USABLE RESERVES**

<b>Balance at 1 April 2018</b>	<b>Transfers Out 2018/19</b>	<b>Transfers In 2018/19</b>	<b>Balance at 31 March 2019</b>		<b>Transfers Out 2019/20</b>	<b>Transfers In 2019/20</b>	<b>Balance at 31 March 2020</b>
<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>6,674</b>	<b>-1,697</b>	<b>918</b>	<b>5,895</b>	Change Management Reserve	<b>-1,146</b>	<b>120</b>	<b>4,869</b>
<b>0</b>	<b>-100</b>	<b>700</b>	<b>600</b>	Joint Control Lease Reserve	<b>-100</b>	<b>0</b>	<b>500</b>
<b>3,851</b>	<b>0</b>	<b>10</b>	<b>3,861</b>	PFI Equalisation Reserve	<b>-62</b>	<b>0</b>	<b>3,799</b>
<b>101</b>	<b>-10</b>	<b>25</b>	<b>116</b>	Managed Under Spend Reserve	<b>-67</b>	<b>0</b>	<b>49</b>
<b>4,349</b>	<b>-2,373</b>	<b>0</b>	<b>1,976</b>	Compartment Fire Behaviour Training (CFBT) Reserve	<b>-2,348</b>	<b>500</b>	<b>128</b>
<b>787</b>	<b>0</b>	<b>114</b>	<b>901</b>	Capital Receipts	<b>-858</b>	<b>31</b>	<b>74</b>
<b>3,000</b>	<b>0</b>	<b>0</b>	<b>3,000</b>	General Fund	<b>-67</b>	<b>67</b>	<b>3,000</b>
<b>18,762</b>	<b>-4,180</b>	<b>1,767</b>	<b>16,349</b>	<b>Total Usable Reserves</b>	<b>-4,648</b>	<b>718</b>	<b>12,419</b>

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

- The revenue under spend has been transferred to the change management reserve to enable budget efficiencies in future years. Other movements in the year relate to capital costs for CFBT project, energy efficiency schemes, relocation of Occupational Health and website project.
- Annual lease costs for the Joint Public Service Centre 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.
- £67k has been spent from the managed under spend reserve with remaining balanced of £20k being transferred to change management reserve..
- Movements on the CFBT reserve relate to the in year costs of the project.
- Capital receipts are ring fenced to fund capital investment. £858k of capital receipts were utilised in the years and a further £31k were received.

### 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 incidence/catastrophes.

### Note 19 - UNUSABLE RESERVES

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£000</b>		<b>£000</b>
-12,001	Revaluation Reserve (note 20)	-14,017
-25,605	Capital Adjustment Account (note 21)	-27,578
971,874	Pensions Reserve (note 22)	920,474
498	Accumulated Absence Reserve (note 23)	837
<b>934,766</b>	<b>Total Unusable Reserves</b>	<b>879,716</b>

### Note 20 - 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.

2018/19 £000		2019/20 £000
-13,237	<b>Balance at 1 April</b>	-12,001
	Revaluation Adjustment	-4,935
	Impairment adjustment	2,295
1,236	Difference in fair value and historical cost depreciation	624
0	Accumulated gains on disposal of assets	0
<b>-12,001</b>	<b>Balance at 31 March</b>	<b>-14,017</b>

### Note 21 - 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.

2018/19 £000	<b>Capital Adjustment Account</b>	2019/20 £000
-23,400	<b>Balance as at 1 April</b>	-25,605
-2,802	MRP (note 31)	-2,909
2,825	Depreciation (net of revaluation)	3,553
1,597	Impairments (note 10)	1,832
-389	Capital expenditure financed from revenue resources (CERA) (note 31)	-455
-92	Capital Grants (note 31)	-143
-3,345	Assets funded from General Fund (note 31)	-2,994
1	Net non-current asset disposal	0
0	Assets funded by Capital Receipts	-857
<b>-25,605</b>		<b>-27,578</b>

### Note 22 - 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.

2018/19 £000		2019/20 £000
<b>921,910</b>	<b>Balance at 1 April</b>	<b>971,874</b>
-8,840	Remeasurements of the net defined benefit liability (asset)	-82,120
66,467	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	41,962
-7,663	Employer's pensions contributions and direct payments to pensioners payable in the year	-11,242
<b>971,874</b>	<b>Balance at 31 March</b>	<b>920,474</b>

Adjustments relating to the pension reserve have been reclassified

**Note 23 - 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>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
<b>-514</b>	<b>Balance at 1 April</b>	<b>-498</b>
514	Settlement or cancellation of accrual made at the end of the preceding year	498
498	Amounts accrued at the end of the current year (note 16)	837
16	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)	-339
<b>-498</b>	<b>Balance at 31 March</b>	<b>-837</b>

**Note 24 - CASH FLOW STATEMENT – OPERATING ACTIVITIES**

<b>2018/19</b> <b>£000</b>		<b>2019/20</b> <b>£000</b>
<b>60,232</b>	<b>Net Deficit on the Provision of Services</b>	<b>33,640</b>
	<b>Adjustments to Net Deficit for Non Cash Movements;</b>	
26	Increases/(Decrease) in stock	-15
1,714	Increase/(Decrease) in debtors	-3,949
679	(Increase)/Decrease in creditors	517
-5,659	Depreciation charge (inc impairment)	6,009
114	Gain on asset disposal	31
-58,805	IAS 19 adjustments	-30,719
16	Other non cash-items charged to the net deficit on the provision of services	-339
<b>-61,915</b>	<b>Less Total</b>	<b>-40,483</b>
	<b>Adjustments for items included in the net deficit on the Provision of Services that are Investing and Financing Activities;</b>	
-1,699	Interest Payable	-1,526
73	Interest Receivable	79
92	Capital Grants	143
<b>-1,534</b>	<b>Less Total</b>	<b>1,304</b>
<b>-3,217</b>	<b>Net Cash Flow from Operating Activity</b>	<b>-8,147</b>

**Note 25 - CASH FLOW – INVESTING AND FINANCING ACTIVITIES**

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
4,746	Purchase of property, plant and equipment, investment property and intangible assets	6,629
0	Purchase of short and long term investments	
-109	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-26
-5,000	Proceeds from short-term and long-term investments	
-92	Capital Grants received	-143
<b>-455</b>	<b>Net cash (in)/outflow from investing activities</b>	<b>6,460</b>
-86	Other receipts from financing activities	-92
81	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	9
2,916	Repayments of short and long-term borrowing	4,510
1,711	Other payments for financing activities	1,717
<b>4,622</b>	<b>Net cash (in)/outflow from financing activities</b>	<b>6,144</b>

**Note 26 - MEMBERS' ALLOWANCES**

During 2018/2019, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

<b>2018/19</b>		<b>2019/20</b>
<b>£000</b>		<b>£000</b>
62	Total of members' allowances	63
4	Total of members' expenses	3
<b>66</b>	<b>Total</b>	<b>66</b>

The Fire 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 27 - OFFICERS' REMUNERATION

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

Title	Year	Salary £000	Expenses £000	*Benefits in Kind £000	Total Excluding Pension £000	Employers Pension £000	Gross remuneration £000
Chief Fire Officer	2019/20	136	2	6	144	37	181
	2018/19	132	2	6	140	34	174
Deputy Chief Officer	2019/20	103	2	0	105	17	122
	2018/19	101	2	0	103	16	119
Asst Chief Fire Officer - Service Delivery (A)	2019/20	0	0	0	0	0	0
	2018/19	51	1	2	54	13	67
Asst Chief Fire Officer - Service Delivery (B)	2019/20	102	1	4	107	30	137
	2018/19	50	1	4	55	22	77
Asst Chief Fire Officer - Service Delivery (C)	2019/20	18	0	4	22	5	27
Asst Chief Fire Officer - Technical Services	2019/20	102	1	4	107	28	135
	2018/19	98	1	4	103	14	117
Asst Chief Officer - People Services (A)	2019/20	0	0	0	0	0	0
	2018/19	83	1	4	88	14	102
Asst Chief Officer - People Services (B)	2019/20	84	1	0	85	14	99
	2018/19	10	0	0	10	2	12
Treasurer	2019/20	27	0	0	27	4	31
	2018/19	26	0	0	26	4	30

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

\* In 2019/20 there was a change in post holder due to sickness with Service Delivery C's temporary appointment on 24/01/2020

\* In 2018/19 there was a change in post holder for Service Delivery with B's appointment on 01/10/2018 and A's departure on 30/09/2018

\* In 2018/19 there was a hand over with new director for People Services with B's appointment on 18/02/2019 and A's departure on 31/03/2019

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

<b>Salary Bracket 2017/18</b>	<b>Number 2018/19</b>	<b>Number 2019/20</b>
£60,000 to £64,999	13	15
£65,000 to £69,999	4	3
£70,000 to £74,999	1	1
£75,000 to £79,999	0	1
£80,000 to £84,999	3	1
£85,000 to £89,999	1	4
£90,000 to £94,999	1	0
£95,000 to £99,999	0	0
£100,000 to £104,999	2	1
£105,000 to £109,000	0	2
£110,000 to £114,999	0	0
£115,000 to £119,999	0	0
£120,000 to £124,999	0	0
£125,000 to £129,999	0	0
£130,000 to £134,999	0	0
£135,000 to £139,999	1	0
£140,000 to £144,999	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 2019/20 is £30k and the ratio of the CFO remuneration to the median remuneration is 4.56:1.

For 2018/19 the median remuneration across the Service was £29k and the ratio of the CFO remuneration to the median remuneration is 4.57:1.

In previous years the median calculation was calculated using the 'main' salary of each member of staff regardless of how many contracts/roles they held. This year and last year the calculation has been based on the posts, rather than the person as some members of staff may hold two posts.

**Note 28 - EXTERNAL AUDIT COSTS**

<b>2018/2019</b>		<b>2019/2020</b>
<b>£000</b>		<b>£000</b>
6	Fees / refunds for previous years	-7
72	Current year fees paid / due to the Auditor General for Wales	72
<b>78</b>	<b>Total</b>	<b>65</b>

**Note 29 - 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>2018/19</b>	<b>Revenue</b>	<b>2019/20</b>
<b>£000</b>		<b>£000</b>
742	Community Risk Reduction (WG)	748
1,010	New Dimensions and USAR Funding (WG)	1,149
152	MTFA (WG)	156
65	Crown Premises Inspector (WG)	12
204	Other*	316
632	Fire Link (WG)	632
28	Anti-Social Behaviour	28
12	Water Equipment (WG)	0
6	Mobile Phones & Tablets (WG)	0
5	Electrical Safety First	0
0	Natural Resources Wales	8
0	Circular Economy (WG)	5
0	SCAPE	2,977
<b>2,856</b>		<b>6,031</b>
	<b>Capital</b>	
24	USAR Vehicle (WG)	0
68	MTFA Vehicle (WG)	0
<b>92</b>		<b>0</b>

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

### Note 30 - 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, 2020	
	Income	Expenditure	Owed to Authority (Debtor)	Owed by Authority (Creditor)
	£000	£000	£000	£000
Blaenau Gwent CBC	3,267	3	0	0
Bridgend CBC	6,747	0	0	0
Caerphilly CBC	8,538	6	0	0
Cardiff CC	17,438	80	0	0
Merthyr Tydfil CBC	2,790	3	0	0
Monmouthshire CC	4,383	8	0	0
Newport CBC	7,028	7	0	0
Rhondda Cynon Taf CBC	11,252	184	0	8
Torfaen CBC	4,336	4	0	0
The Vale of Glamorgan CBC	6,048	11	0	0
Cwmbran CBC	0	0	0	0
	<b>71,827</b>	<b>306</b>	<b>0</b>	<b>8</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, 2020	
			Income £	Expenditure £	Owed to Authority (Debtor) £	Owed by Authority (Creditor) £
Law Society	FAPM Member - Membership	2	0	2	0	0
Aneurin Bevan	FAPM Member-Nominee	12	0	56	0	9
Coleg Gwent	FAPM Member-Employment	39	0	7	0	0
Gwent Police	Deputy Chief Officer - Spouse	12	26	64	0	11
NCC	FAPM Member - Membership	3	0	4	0	0
Purple Shoots	Deputy Chief Officer - Friend	2	0	0	0	2
National Trust	FAPM Member - Membership	1	0	0	0	0

The Deputy Chief Officer is the spouse of the Chief Executive of Merthyr Tydfil County Borough Council. There are 25 Payments (refuse collection) made to Merthyr Tydfil County Borough Council as detailed in the earlier table.

Welsh Government is regarded as a related party due to its control of relevant legislation and funding. Significant financial transactions with Welsh Government include Invest to Save where during 2019/20 the Authority paid the remaining balance of £1 million against the loan. In addition, further transactions relate to a top up grant for funding Fire Fighters' pensions (see Firefighter's Pension Fund Account see Note 35) and grants (see Note 29).

This note has been compiled in accordance with the current interpretation and understanding of IAS 24 as applicability 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 from both FRSs 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 of the FRSs 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 between the two FRSs. 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	2018/19		2019/20	
	Joint Operation Total	SWFRS Share	Joint Operation Total	SWFRS Share
<b>Revenue</b>				
Staff Expenditure	2,680	1,608	2,717	1,630
Non-Staff Expenditure	156	78	124	62
<b>Total Expenditure</b>	<b>2,836</b>	<b>1,686</b>	<b>2,841</b>	<b>1,692</b>
<b>Intangible Asset - Command &amp; Control System</b>				
Gross Book Value	308	154	308	154
Accumulated Amortisation	(62)	(31)	(126)	(63)
<b>Net Book Value</b>	<b>246</b>	<b>123</b>	<b>182</b>	<b>91</b>

The authority also has a long-term debtor of £400k and short-term debtor of £100k with South Wales Police in relation to the Joint Public Service Centre.

### Note 31 - CAPITAL EXPENDITURE AND CAPITAL FINANCING

2018/19		2019/20
£000		£000
<b>44,146</b>	<i>Opening Capital Financing Requirement (CFR)</i>	<b>42,185</b>
4,667	Property, Plant and Equipment investment	6,638
<b>4,667</b>	<b>Total Additions</b>	<b>6,638</b>
	<i>Sources of finance</i>	
-92	Government grants and other contributions (note 29)	-143
-3,345	Sums set aside from revenue (note 21)	-2,994
-389	Direct revenue contributions (note 21)	-455
0	Capital Receipts	-857
-2,802	MRP/loans fund principal (note 21)	-2,909
<b>42,185</b>	<i>Closing Capital Financing Requirement (CFR)</i>	<b>41,464</b>
	<i>Increase in underlying need to borrow</i>	
<b>-1,961</b>	<b>Increase/(Decrease) in CFR</b>	<b>-721</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 32 - FINANCING OF CAPITAL SPEND

Capital expenditure in the year was financed as follows:

2018/19		2019/20
£000		£000
389	Revenue contribution (note 31)	455
3,345	Reserves (note 21)	2,994
92	Grant funding (note 29)	143
841	Internal Borrowing	2,189
90	Capital Receipts	857
<b>4,667</b>	<b>Total</b>	<b>6,638</b>

### Note 33 - 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 2020 for future periods equates to £1.053m (2018/19:£3.120m). The commitments relate to property refurbishments, and the vehicle, ICT and Equipment programmes.

### Note 34 - 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 2019, the balance on the PFI equalisation earmarked reserve is £3.799 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		2018/19	2019/20	2020/21	Payable	Payable	Payable
		£'000	£'000	£'000	2 - 5 years £'000	6 - 10 years £'000	11 - 16 years £'000
	Finance Lease	81	9	229	1,311	2,777	373
		2,032	2,091	2,136	9,048	12,562	901
Grant Funding		-1,122	-1,082	-1,043	-3,781	-3,845	-336
Fire Authority Contribution		-920	-947	-976	-4,205	-6,006	-656
Net contribution to equalisation		-10	62	117	1,062	2,711	-91
Equalisation Account							
	O/balance	-3,851	-3,861	-3,799	-3,682	-2,620	91
		-10	62	117	1,062	2,711	-91
	C/balance	-3,861	-3,799	-3,682	-2,620	91	0
Liability @ 31 March							
	Short Term	9	229	365			
	Long Term	4,690	4,461	4,096	3,150	373	
		4,699	4,690	4,461	3,150	373	0

## **Note 35 - PENSIONS (IAS 19)**

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

In 2019/20 the Authority paid employer pension contributions of £1.66 million to 'the fund' which provides members with defined benefits related to pay and service. For the last 9 years the deficit contribution figure has been expressed as a cash amount to protect the fund from payroll variations. 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 2020/21 are estimated to be £962k for the employer.

The LGPS is a funded defined benefit plan (but also includes certain unfunded pensions) with benefits earned up to 31 March 2015 being linked to final salary. Benefits after 31 March 2015 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 2019/20 the Authority paid employer pension contributions of £8.567 million. Pensions paid from revenues equated to £992k. For 2020/21, the employer contribution to the scheme is estimated to be £8.662 million and the current estimate for pensions paid from revenue is £909k. 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 at affordability. Members of the 1992 and 2006 schemes who do not meet the prescribed criteria, will transition into the 2015 scheme under a tapering arrangement. The three schemes are combined in the following tables.

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

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

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

To comply with IAS19 the Authority appoints actuaries on an annual basis to assess the assets and liabilities of both schemes. Aon Hewitt was appointed to assess the Local Government Pension Scheme and the Government Actuary's Department the Fire Fighters' scheme as they relate to past and current employees of South Wales Fire Authority. For the Local Government Pension scheme the actuary assessed that the net liability to the Authority as at 31 March 2020 was £24 million (*31 March 2019, £24 million*) and for the Fire Fighters' schemes the liability was £896 million as at 31 March 2020 (*31 March 2019, £948 million*). A breakdown of the assets and liabilities of both schemes and the assumptions used in the actuarial calculations can be found overleaf.

Within 2017/2018 a past service cost was recognised reflecting the extension of the interim solution regarding guarantee minimum pension ("GMP") indexation. Members of public service pension schemes with GMP entitlements who reach State Pension age on or after 6 December 2018 and before 6 April 2021 will be covered by this extension of the interim solution. As HMT have not announced any changes to the current solution, no past service cost has been recognised in 2019/20 in this respect.

Note that the disclosures make no allowances for the 29th March 2019 High Court ruling that firefighters' overtime payments are pensionable, as the impact of this ruling is unknown at the moment.

See Note 4 for detail of past service costs relating to the McCloud case.

2018/19 £000	Movements on Pension Reserve	2019/20 £000
	Income and Expenditure Account	
	<b>Net Cost of Service</b>	
	Current Service Cost	
-15,410	- Fire Fighters	-22,410
-2,490	- Local Government Pension Scheme	-3,210
	Past Service Cost	
-40,820	- Fire Fighters	-3,250
-815	- * Local Government Pension Scheme	0
16,478	Top Up Grant	10,658
	<b>Net Operating Expenditure</b>	
	Interest Cost	
-22,790	- Fire Fighters	-23,180
-2,210	- Local Government Pension Scheme	-2,180
	Expected Return on Pension Assets	
0	- Fire Fighters	0
1,590	- Local Government Pension Scheme	1,610
<b>-66,467</b>	<b>Total Post-employment benefit charged to the surplus or deficit on the provision of services</b>	<b>-41,962</b>
	Remeasurements of the net defined benefit liability (asset)	
6,200	- Fire Fighters	80,790
2,640	- * Local Government Pension Scheme	1,330
<b>-57,627</b>	<b>Total Post-employment benefit (charged)/credited to the C.I.E.S</b>	<b>40,158</b>
	<b>Movement on Reserve Statement</b>	
921,910	Opening Balance 1 April	971,874
57,627	Reversal of Net Charges for IAS 19	-40,158
	Actual Amount Charged against the General Fund Balance for pensions in the year	
	Employer Contributions	
-5,434	Fire Fighters	-8,923
-1,620	Local Government Pension Scheme	-1,690
-609	Retirement benefits paid to Fire Fighters	-629
0	Transfers in	0
<b>49,964</b>	<b>Movement on Pension Reserve</b>	<b>-51,400</b>
<b>971,874</b>	<b>Closing Balance</b>	<b>920,474</b>

\*The LGPS movements on pension reserve are inclusive of unfunded pension benefits arrangements;  
2019/20 – Interest cost of £10k, actuarial gain of £20k and net benefits paid out £30k

## Pension Schemes – Assets / Liabilities

The Authority's estimated share of assets and liabilities from 31 March 2016 to 31 March 2020 were as follows:

	31 March				
	2016	2017	2018	2019	2020
Estimated share of liabilities in the Fire Fighters' Pension Scheme	-698,060	-849,560	-897,550	-947,849	-895,689
Estimated share of liabilities in the Rhondda Cynon Taff Pension Fund	-63,980	-80,250	-85,480	-91,335	-90,475
<b>Total liabilities</b>	<b>-762,040</b>	<b>-929,810</b>	<b>-983,030</b>	<b>-1,039,184</b>	<b>-986,164</b>
Share of assets in the Rhondda Cynon Taff Pension Fund	48,520	57,780	61,120	67,310	65,690
<b>Net Pension Deficit</b>	<b>-713,520</b>	<b>-872,030</b>	<b>-921,910</b>	<b>-971,874</b>	<b>-920,474</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	
	2019 %	2020 %	2019 %	2020 %
Rate of Inflation;				
RPI			3.3	
CPI	2.35	2	2.2	1.9
Rate of increase in Salaries	4.35	4	3.45	3.15
Rate of Increase in Pensions	2.35	2	2.2	1.9
Rate of Discounting Scheme Liabilities	2.45	2.25	2.4	2.3
Future Life Expectancy at 65 Men				
Current Pensioners	22	21.3	22.2	21.7
Future Pensioners	23.9	23	23.9	22.7
Women				
Current Pensioners	22	21.3	24.1	24
Future Pensioners	23.9	23	25.9	25.5

## 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)	88.65	92.60
% change in present value of total obligation	-2.2%	2.2%
Projected service cost (£m)	2.87	3.09
Approximate % change in projected service cost	-3.6%	3.7%

### 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)	90.93	90.27
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£m)	2.98	2.98
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

<b>Adjustment to discount rate</b>	<b>+0.1%p.a.</b>	<b>-0.1%p.a.</b>
Present value of total obligation (£m)	92.29	88.95
% change in present value of total obligation	1.9%	-1.8%
Projected service cost (£m)	3.09	2.87
Approximate % change in projected service cost	3.7%	-3.6%

### Post retirement mortality assumption

<b>Adjustment to discount rate</b>	<b>-1 year</b>	<b>+1 year</b>
Present value of total obligation (£m)	93.46	87.77
% change in present value of total obligation	3.2%	-3.1%
Projected service cost (£m)	3.09	2.87
Approximate % change in projected service cost	3.8%	-3.7%

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

<b>Impact on defined benefit obligation</b>	<b>%</b>	<b>£ million</b>
Rate of discounting scheme liabilities +0.5%p.a.	-9.0%	-78
Long term rate of increase in salaries +0.5% p.a.	1.0%	9
Rate of increase in pensions / deferred revaluation +0.5% p.a.	7.0%	63
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	3.0%	28

In addition, the past service cost in respect of the McCloud / Sargeant judgement is expected to be highly sensitive to the gap between CPI inflation and the assumed rate of salary growth. Under the approach and remedy adopted, if the long term salary growth assumptions were 1.0% pa lower, then the impact on the past service cost is expected to be a change of around -10% on the provision. Alternative forms of remedy may have different levels of sensitivity to these assumptions.

### Assets

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

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

	%
<b>2020</b>	
Equity Investments	68.1
Bonds	23.2
Other Assets	8.7
<b>Total</b>	<b>100.0</b>
<b>2019</b>	
Equity Investments	64.5
Bonds	25.1
Other Assets	10.4
<b>Total</b>	<b>100.0</b>

The overall return on pension assets was -2.3% for 19/20 (2018/19: 9.9%)

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

2018/19 £000 Fire Fighters	2018/19 £000 LGPS	Liabilities	2019/20 £000 Fire Fighters	2019/20 £000 LGPS
<b>-897,550</b>	<b>-85,480</b>	<b>Balance as at 1 April</b>	<b>-947,849</b>	<b>-91,335</b>
-15,410	-2,490	Current Service cost	-22,410	-3,210
-22,790	-2,210	Interest	-23,180	-2,180
-4,090	-530	Contributions by scheme members	-4,160	-560
6,200	-1,860	Actuarial Gains and Losses	80,790	4,330
26,881	2,050	Benefits Paid	24,780	2,480
-40,820	-815	Past Service Cost	-3,250	0
-270	0	Transfers in	-410	0
<b>-947,849</b>	<b>-91,335</b>	<b>Pension Liabilities at Year End</b>	<b>-895,689</b>	<b>-90,475</b>

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

2018/19 £000 LGPS	Assets	2019/20 £000 LGPS
<b>61,120</b>	<b>Balance 1 April</b>	<b>67,310</b>
1,590	Return on Pension Assets	1,610
4,500	Actuarial Gain/Losses on Assets	-3,000
1,590	Contributions by employer	1,660
530	Contributions by Scheme members	560
-2,020	Net benefits paid out*	-2,450
<b>67,310</b>	<b>Pension Assets at Year End</b>	<b>65,690</b>

\* Consists of net benefits cash-flow out of the Fund in respect of the employer, including an approximate allowance for the expected cost of death in service lump sums and Fund administration expenses. Excluding £30k unfunded pension payments.

#### Actual return on assets

	31 March 2019 £ Million	31 March 2020 £ Million
Interest income on assets	1.59	1.61
Re-measurement gain/ (loss) on assets	4.50	-3.00
Actual return on assets	6.09	-1.39

### **Note 36 - CONTINGENT LIABILITIES**

The Fire Authority has recently reaffirmed its decisions on a number of cases related to the pensions of former employees. These include cases related to 'protected pension age' and 'Rule B5C' of the Fire Pension Scheme. The Authority believes that it has no further financial liability in respect of these cases however, it is possible that the group of pensioners concerned could challenge the outcome via the Pension Ombudsman or through the courts.

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.

### **Note 37 - 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 invests 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 institute 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 11 (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>2018/2019</b>		<b>2019/2020</b>
<b>£000</b>	<b>Income to the fund</b>	<b>£000</b>
	Contributions receivable:	
	from employer	
-5,103	normal contributions	-8,567
-335	other contributions	-363
-3,967	from members	-4,076
-150	Past service contributions (retained modified scheme)	-93
<u>-9,555</u>		<u>-13,099</u>
-499	Transfers in from other pension funds	-413
<b>-10,054</b>	<b>Total Income to the Fund</b>	<b>-13,512</b>
	<b>Spending by the Fund</b>	
	Benefits Payable:	
20,044	Pension payments	20,898
6,154	Pension commutations and lump-sum retirement benefits	2,998
76	Other Payments	128
<u>26,274</u>		<u>24,024</u>
	Payments to and on account of leavers:	
182	Transfers out to other authorities	0
<b>26,456</b>	<b>Total Spending by the Fund</b>	<b>24,024</b>
<b>16,402</b>	<b>Net amount payable for the year</b>	<b>10,512</b>
-16,402	Annual top up grant receivable from Welsh Government	-10,512
<u>0</u>	<b>Net amount payable for the year</b>	<u>0</u>

<b>2018/2019</b>	<b>Net Asset Statement</b>	<b>2019/2020</b>
<b>£000</b>		<b>£000</b>
	Current Assets;	
3,502	Top up grant due from Welsh Government	640
0	Payments in advance to pensioners	0
<u>3,502</u>		<u>640</u>
	Current Liabilities;	
-3,502	Top up grant due to Welsh Government	-640
Amount owed to general fund		-640
<u>0</u>		<u>0</u>

### **NOTES TO THE FIRE FIGHTERS' PENSION FUND ACCOUNT**

The Fund was established 1 April 2007 and covers the 1992, 2006, 2015 and 2016 Retained Modified Fire Fighters' Pension Schemes and is administered by the Authority. The 2015 scheme introduced new contributions rates for both employers and employees and reduced pensioner benefits. On 1<sup>st</sup> April 2016 the retained Modified Pension Scheme was introduced in addition to the original 1992, 2006 and 2015 schemes. The scheme allowed individuals who were employed as retained members of staff between the years 2000 – 2006 the opportunity to buy back service. If the individuals were still employees then they could enter into the Retained Modified Pension Scheme which benefits from the same contribution rates as the 1992 scheme.

Employee and employer (the Authority) contributions are paid into the Fund from the revenue budget and payments to pensioners are made from here. Employees' and employer's contribution levels are based on percentages of pensionable pay set nationally by Welsh Government (WG) and are subject to triennial revaluations by the Government Actuary's Department (GAD). The scheme is an unfunded scheme with no investment assets and any difference between benefits payable and contributions receivable is met by the top up grant receivable from the Welsh Government (WG).

Transfers into the scheme are a transfer of pension benefits from another pension scheme for new or existing employees and transfers out are transfer benefits for 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 2019/20 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 2019/20 a total of 31 (including 2 deferred members) Fire Fighters retired compared to the estimate of 36. At the year end WG was a debtor to the Pension Fund with a value of £640k.

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 22 and 35 to the core financial statements.

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

#### **Contribution Rates**

Under the Fire Fighters' Pension Regulations the employer contribution rates for the 1992, 2006, 2015 and Retained Modified Schemes were 29.3%, 26.6%, 27.3% and 29.3% respectively. Employee rates are determined by a tiered system according to salary bands with higher earners contributing at a higher rate relative to their salary, i.e. rates start at 8.5% and end at 17% for the current period.

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Chris Barton, Treasurer  
South Wales Fire and Rescue Authority

### By e-mail

**Reference:** DO - SWF

**Date issued:** 16 April 2020

Dear Chris

### Annual Audit Plan 2020 – Impact of COVID-19

The COVID-19 national emergency has had an unprecedented impact on the UK and will significantly impact on public bodies' preparation of the 2019-20 accounts and our audit work, both financial audit and performance audit.

Due to the UK Government's restrictions on movement and anticipated sickness absence levels, we understand that many public bodies will not be able to prepare accounts in line with the timetables set out.

Alongside the delivery of the Auditor General's statutory responsibilities, our priority is to ensure the health, safety and well-being of Audit Wales staff, their families and those of our partners elsewhere in the public service at this incredibly challenging time.

In response to the government advice and subsequent restrictions, we have ceased all on site work at audited bodies and our own offices have closed. Audit Wales staff are working from home and we will continue to make whatever progress we can whilst working and engaging with you remotely.

We commit to ensuring that our audit work will not have a detrimental impact on you at a time when public bodies are stretched and focused on dealing with the COVID-19 national emergency.

## Amendments to the audit plan issued on 14 February 2020

In light of the above, the audit plan issued to you on 14 February 2020 will need to be amended.

### Audit of accounts

#### CIPFA/LASAAC Code of Accounting Practice

You will be aware that the CIPFA/LASAAC Code Board recently considered a proposed Code Update 2019-20 that would have disapplied large parts of the 2019-20 Code. After discussion, the CIPFA/LASAAC Code Board decided not to adopt the proposed Code Update. Therefore, the 2019-20 Code (the Code) will apply in full for this year. We understand that the fire authority is working towards preparing accounts in accordance with the full Code.

### Audit risks

As a result of the COVID-19 national emergency, we need to update our assessment of audit risks. The schedule at Annex A replaces Exhibit 2 in the 2020 audit plan.

### Potential audit issues

We are aware of concerns expressed by a number of authorities about various aspects of the accounts.

Specific areas of concern raised with us include:

- Increased use of estimates. Due to the UK lockdown, authorities may be required to use more estimations for their accounts than in previous years. Our auditors are used to dealing with estimates and applying auditing standards in relation to estimates. We will discuss with you the key assumptions and evidence bases underlying estimates and will do this at an early stage.
- Asset valuations. Authorities have raised concerns about professional valuers applying disclaimers to their valuations and the potential impact on audit opinions. We will discuss these valuations and any necessary disclosures related to the valuations with you to ensure that the financial statements as a whole present a true and fair view.
- Pensions valuations. Due to the significant movements in investment markets, and the potential impact on financial assumptions used to measure pension benefits, there are concerns over whether valuations provided by actuaries will be acceptable. Our audit process includes the use of a consulting actuary to provide audit assurance over the methodology and assumptions used by actuaries in providing data for IAS19 disclosures. We will review your actuary's IAS19 reports and our consulting actuary's assessment and discuss any concerns with you at an early stage.

- Removal of disclosure notes to simplify the accounts preparation process. We have been asked for our views on the potential for excluding disclosure notes where it is felt that the notes add limited value to the user of the accounts. Examples quoted include the remuneration notes and related party disclosures. The remuneration notes are required by statute and therefore cannot be removed from the accounts. For the other notes, we draw your attention to the Code's provisions related to materiality. The Code sets out that omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. The nature or size of the item, or a combination of both, could be the determining factor. The Authority should consider the Code's provisions related to materiality when reviewing the disclosure notes and discuss any concerns with the audit team. Further detail on materiality can be found in the following paragraphs in the Code: 1.7.1, 2.1.2.14, 3.3.2.4, 3.4.2.7 and 3.9.2.17.

If you have any further areas of concern, please raise these with the audit team as soon as possible. Our auditors will seek to be pragmatic about the timely provision of information and evidence and sympathetic in our verbal and written communication and reporting on issues brought about by current events.

However, we must continue to undertake our audit work in accordance with auditing standards. We will seek to obtain sufficient audit evidence required to form unqualified audit opinions on the financial statements.

#### Audit timetable

In respect of our accounts work, we are aware that there may be difficulties in meeting the accounts preparation and publication dates set by the Accounts and Audit (Wales) Regulations 2014. Welsh Government have indicated that the Regulations will not be amended as they already provide sufficient flexibility to deal with any delays resulting from COVID-19.

The Regulations require the publication of a notice where the authority does not expect to achieve the dates specified by the Regulations. I have included further detail in Annex B and example notices in Annex C that the authority may wish to consider using.

The requirements for the exercise of electors' rights under the Public Audit (Wales) Act 2004 continue to apply. This presents some practical difficulties while lockdown restrictions still apply e.g. public access to the authority's accounting records.

Therefore, the audit team will discuss with you an appropriate timetable for public inspection when we have a clear idea of the date on which the accounts will be available and when lockdown restrictions have been sufficiently relaxed.

The audit team will issue an audit notice in due course setting out the appointed date.

This may mean that there is a delay before we can issue our audit opinion.

We will need to discuss any amendments to the timetables for the production and audit of accounts with you but will continue to work as flexibly as we can. It will be vital that this engagement continues over the next few months, against what will doubtless be a fast-changing backdrop. My assessment is that our ability to meet revised audit completion dates will mainly depend on:

- the extent to which remote working and auditing is possible if the current lockdown restrictions are not lifted;
- the quality of the draft accounts and supporting working papers made available to us (driven in part by the extent of any pre-audit management reviews of that material);
- the continued availability of audited body staff to respond promptly to audit queries (given the potential pressures of sickness absences, carer and back-filling responsibilities etc);
- the continued availability of Audit Wales staff to conduct the audit work; and
- the ability of those charged with governance to convene (potentially on a virtual basis) to approve accounts.

We will of course be keeping a very close eye on all of these factors in the coming weeks and exploring options to overcome potential barriers to timely completion wherever possible, and will keep you and your team fully up to speed with any developments in this area.

### **Programme of performance work**

Our annual audit plan also noted that we would confirm our programme of performance audit work at the South Wales Fire and Rescue Authority during the Spring. We plan to undertake a review of resilient and sustainable services. This review will build upon recent audit work and will examine the barriers and opportunities facing the Authority to determine how sustainable services are in line with the Wellbeing of Future Generations Act.

On 18 March 2020, the Auditor General wrote to the Chief Fire Officer explaining that, following Government guidance, he had decided to suspend all on-site performance audit work with immediate effect. We will make as much progress as possible with these activities by working remotely, if appropriate. However, the COVID-19 outbreak will have an inevitable impact on the delivery of our programme of performance audit work. We are keeping this under on-going review and will communicate further information on any revisions to our programme, timings and performance audit outputs when more is known about the duration of the COVID-19 restrictions and the wider impact of the outbreak on the local government sector.

We will provide further updates as and when necessary. In the meantime, if you have any questions, please contact one of our audit team.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Derwyn Owen', enclosed in a thin black rectangular border.

Derwyn Owen  
Engagement Director

CC Huw Jakeway, Chief Fire Officer  
Sally Chapman, Deputy Chief Officer  
Councillor D T Davies

## Annex A: Amended financial statement audit risks

The following exhibit replaces Exhibit 2 in the audit plan issued on 14 February 2020.

### Financial statement audit risks

This table summarises the key financial statement audit risks identified at the planning stage of the audit.

Audit risk	Proposed audit response
<b>Significant risks</b>	
<p>The risk of management override of controls is present in all entities. Due to the unpredictable way in which such override could occur, it is viewed as a significant risk [ISA 240.31-33].</p>	<p>My audit team will:</p> <ul style="list-style-type: none"> <li>• test the appropriateness of journal entries and other adjustments made in preparing the financial statements;</li> <li>• review accounting estimates for biases;</li> <li>• evaluate the rationale for any significant transactions outside the normal course of business.</li> </ul>
<b>Other areas of audit attention</b>	
<p><b>Estimates – valuation of land and buildings</b> A full revaluation of land and buildings will be undertaken during 2019-20.</p>	<p>My audit team will review the procedures in place and their application, to ensure the valuation in the financial statements is robust and materially accurate.</p>
<p><b>McCloud judgement</b> In 2015 the Government introduced reforms to public sector pensions, meaning most public sector workers were moved into new pension schemes in 2015. In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members of the judges’</p>	<p>My audit team will review the provision made in relation to the McCloud judgement and monitor progress on the development of proposals for a remedy to be applied in the Local Government Pensions Scheme.</p>

<p>and firefighters' schemes, as part of the reforms, amounted to unlawful discrimination. On 15 July 2019 the Government announced that they accept that the judgment applies to all of the main public service pension schemes. The impact of the judgement is likely to have a significant impact on pension liabilities disclosed by the Authority.</p>	
<p><b>Other pension liabilities</b> Over recent years there have been a number of legal judgements that impact on pension liabilities. The pension regulations are complex, increasing the risk of error or omission in the financial statements.</p>	<p>My audit team will review the Authority's arrangements for identifying and recording pension liabilities, to ensure they are materially accurate and complete.</p>
<p><b>Impact of COVID-19 – general risks</b> The COVID-19 national emergency is likely to have a significant impact on the Authority and its accounts production process. Potential risks include:</p> <ul style="list-style-type: none"> <li>• Subsequent events. There is a risk that the Authority is unable to prepare and publish its accounts in accordance with the timetable laid down by the Accounts and Audit (Wales) Regulations 2014. The shifting reporting deadlines increases the period (and therefore the related risks) for events occurring between the date of the financial statements and the date of the auditor's report. The consequences of the virus post 31 March 2020 will generally be non-adjusting post balance sheet events but some form of disclosure may be needed.</li> <li>• Use of estimates. The uncertainties and delays caused by the UK wide lockdown may result in actual data being unavailable and greater use of estimates in preparing the accounts.</li> </ul>	<p>My audit team will undertake the following steps to ensure the risks arising from COVID-19 are adequately addressed:</p> <p>We will extend the period of review of subsequent events in order to identify any material subsequent events related to COVID-19, and whether these have been appropriately addressed or disclosed in the financial statements in accordance with the financial reporting framework. We will consider if there are areas that may require management to provide further evidence due to the fast-changing nature of this issue. We will ensure that appropriate changes have been made to recognise any enhanced uncertainty in the calculation of accounting estimates (including impairment calculations). We will also consider whether assumptions are appropriate in the circumstances and</p> <p>We will adopt a greater focus on the following areas:</p> <ul style="list-style-type: none"> <li>○ The financial statement closing process (in particular journal</li> </ul>

entries and other adjustments made).

- The auditor's evaluation of the overall presentation of the financial statements, including consideration of whether adequate disclosures have been made.

## **Annex B: Requirements of the Accounts and Audit (Wales) Regulations 2014**

You may be aware that in England, the Local Government Secretary Robert Jenrick MP announced that the deadline for preparation of local government accounts will be extended to 31 August 2020 and publication of audited accounts to 30 November.

Audit Wales discussed this development with Welsh Government officials to establish if a similar announcement will be made for Wales. The Welsh Government position (as communicated to local government bodies) is currently as set out below.

### Statutory requirements

The statutory position for local government bodies in Wales is set out in the Accounts and Audit (Wales) Regulations 2014 (as amended).

### Welsh Government interpretation

Regulation 10 sets out the expected timetable for the preparation, approval and audit of the annual accounts. Due to the impact of COVID-19, Welsh Government recognises that it may not be possible for all local government bodies to meet this timetable. Regulation 10(4) provides local government bodies with sufficient flexibility to deal with delays caused by COVID-19. Its guidance on the Regulations, notes that:

“Where, extraordinarily, certification cannot happen before 31 May, action needs to be taken to publish a statement that clearly sets out the reasons why this has not happened before that date and agree a course of action to ensure this is done as soon as is practicable after 31 May.”

The guidance also notes that the accounts should be published by 31 July even if the accounts have not been approved.

On the basis that sufficient flexibility is built into the current Regulations, Welsh Government does not consider it necessary to amend the Regulations.

### Audit Wales view and impact on the audit process

Audit Wales concurs with the Welsh Government assessment that sufficient flexibility already exists in the Regulations.

In the event that the accounts are not prepared by the statutory timetable, audited bodies should notify their audit team and publish a notice setting out there is a delay and the reason for the delay. Example wording is provided in [Annex C](#).

## **Annex C: Accounts and Audit (Wales) Regulations 2014 – suggested notice**

Audit notice where RFO unable to certify the accounts either due to illness or because the accounts have not been prepared

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of South Wales Fire and Rescue Authority to sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 31 May 2020.

The Responsible Financial Officer has not signed and certified the accounts for the year ended 31 March 2020. Due to the COVID-19 outbreak, the authority has diverted resources to support key frontline services and the statement of accounts has not yet been prepared. The statement of accounts will be prepared and the Responsible Financial Officer will sign and certify the statement of accounts when the immediate pressures of the COVID-19 outbreak have subsided.

Audit notice where RFO has certified the accounts but the audited body is not meeting and therefore unable to approve the accounts

Regulation 10(1) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that Responsible Financial Officer of South Wales Fire and Rescue Authority sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body's income and expenditure for that year. The Regulations required that this be completed by 31 May 2020.

The Responsible Financial Officer signed and certified the accounts on [date].

Regulation 10(2) of the Accounts and Audit (Wales) Regulations 2014 (as amended) requires that following the certification by the Responsible Financial Officer referred to above, South Wales Fire and Rescue Authority approve and publish the audited statement of accounts. The Regulations required that this be completed by 31 July 2020.

Due to the COVID-19 outbreak, South Wales Fire and Rescue Authority has not met to approve the statement of accounts.

OR

Due to the COVID-19 outbreak, the audit of the 2019-20 statement of accounts has not yet been completed and no audit opinion has been provided. The statement of accounts that is published is the unaudited statement of accounts.

**Reference:** AC/190/caf

**Date issued:** 30 April 2020

Dear Colleague

## Audit Wales work programme

I am writing to update you on some important aspects of the work that my office will be undertaking over the coming weeks and months. Firstly though, I would like to pay tribute to all the public servants who are working so hard to see our country through this crisis. As the organisation responsible for scrutinising so many of these public bodies, we have a privileged insight into how vital they are to everyone's lives, every day – and even more so at a time like this. As Auditor General, on behalf of everyone at Audit Wales, and simply as a member of the public - thank you.

As you know, last month I decided to pull back from all on-site audit work as the public service focused on the pandemic. We have continued to make progress on other activity whilst working and engaging with you remotely. I remain committed to ensuring that our audit work does not have a detrimental impact on the efforts of severely stretched public bodies to deal with the national emergency. That is not to say, however, that I want us to be entirely passive. Well targeted and well delivered public audit has a vital part to play at this time in ensuring value for money, good governance and accountability. This letter explains how we will be approaching our work over the coming months.

### Well-being of Future Generations report

In line with statutory requirements, we have published our Annual Plan for 2020-21, recognising that much of the performance audit work programme described in it will now need to be re-shaped or deferred.

One important exception to this is my national report under the Well-Being of Future Generations (Wales) Act 2015, which I am required by statute to lay by 5 May 2020. I have decided to lay my report 'without fanfare' before the Senedd on 5 May, and to defer any significant engagement with public service leaders and others regarding the key report messages until later in the year. I consider this to be a pragmatic way of discharging my statutory duty under the 2015 Act, whilst minimising any unnecessary distractions for the wider public sector at this difficult time. I hope the delay in engagement will also help to ensure that the impact of this important report in supporting constructive change is not significantly diminished.

## Real-time audit work in respect of COVID-19

It is already apparent to my audit teams that people and organisations right across the Welsh public services are developing novel and innovative ways of working in response to COVID-19. The crisis is forcing us all to innovate and address long-standing issues with urgency. Both opportunities and risks will doubtless emerge during this period which, if acted upon sooner rather than later, can generate real-time benefits and help to mitigate other risks.

To that end, I want to deploy the capability and capacity of Audit Wales for the good of the wider public sector. Specifically, I propose to undertake work providing real-time capture and sharing of learning and experience across our audited bodies. This will involve our staff in gathering novel and other practice as it emerges and analysing it rapidly to draw out relevant points of learning. We are developing a software tool to assist us in gathering and processing this information. We will share the resulting insights swiftly to our key contacts across the Welsh public service.

I am acutely conscious that we will need to conduct any activity in a manner that doesn't impede the very important work that is happening across Wales, and which can add substantial value in informing that work. My intention is therefore to work closely with audited bodies to support them to improve their evolving responses to COVID-19, whilst preserving my objectivity and independence as Auditor General.

I am pleased to say that we have received support for this proposal from the Permanent Secretary and other senior officials at Welsh Government, the WLGA and the NHS Wales Confederation. As soon as we are able, my staff will be in touch to discuss practicalities which, as I say, will be designed to be as least intrusive as possible.

I attach a short summary of the project for your information. If you have any queries or concerns with this approach, or if you can suggest particular areas where it could be usefully directed, please let me or a member of my team know.

## Other audit work in respect of Wales' response to COVID-19

Given the impact of COVID-19, I will be re-shaping my previously planned programmes of audit work. You won't be surprised, for example, that I am tracking the various COVID-19 funding flows from both UK and Welsh Governments and considering how best I can assure the people of Wales that those funds are well managed and that there is appropriate governance and accountability for the use of public money. Looking a little further ahead, I envisage a focus on what the impact of the current crisis means both in terms of the resilience and the future shape of public services in Wales. Of course, timing is everything, and I will ensure that our work does not prejudice the efforts of the public sector to tackle the crisis, whilst still reporting sufficiently thoroughly and promptly to support both scrutiny and learning.

## Audit of accounts

My Engagement Directors have written to each of you about the impact of the COVID-19 emergency on your audit plan. This includes specific audit risks, as well as

revisions to the audit timetable and accounting requirements (where relevant). My staff will continue our close engagement with you and your senior team over the coming weeks and months to ensure that we deliver a high quality audit of your accounts in these changed circumstances.

### Other matters

As well as considering how best to deploy Audit Wales resources to support the COVID-19 effort through our audit work, I am very aware that staff resources across public services are being stretched as never before. I want to let you know that, subject to availability and provided that the future independence of our work is not compromised, I am very willing to consider how my staff can assist wherever their skills and expertise may be required. Please let me (or a member of my team) know if there is anything specific that we can do to assist.

And finally, you will have noticed the identity and name change in this letter. Such a secondary issue in the current climate, I know, but in response to feedback on how we communicate and engage, we took the decision last year to bring together the various strands of our work under a new, clearer umbrella identity – Audit Wales. While not affecting our formal legal status, we will operate as Audit Wales henceforth in the vast majority of our public facing work. It is just one part of a wider programme of change for our audit reports; our website; our communications style and the way we engage more generally, that I hope you will recognise and value.

In closing, I would like to pay tribute once again to my colleagues across the Welsh public service and the phenomenal work they are doing for the people of Wales.

Yours sincerely



**ADRIAN CROMPTON**  
**Auditor General for Wales**

## Title

### Project Briefing note:

## **The Auditor General for Wales plans to support the rapid collection, analysis and sharing of knowledge and insights during COVID-19**

### **Novel Practice Emerges During a Crisis.**

During any emergency or crisis people will develop solutions and work in ways that are novel. Practices will emerge that are outside the range of what could be described as business as usual.

The prolonged duration of COVID-19 provides the opportunity to capture and consider this novel practice from three perspectives:

1. The identification of opportunities to improve the current response to the situation, in as close to real time as possible;
2. The identification of emerging risks (for example widespread fraud attempts) that can then be mitigated before they develop to a large scale; and
3. The recording and consolidation of novel practice, that could be shared more widely in real time and also incorporated as good practice into 'business as usual' once COVID-19 has subsided.

### **Collecting and Recording Novel Practice**

Organisations that are experienced in emergency and crisis situations often deploy observers / information gatherers alongside their recovery teams, to identify the novel practice as it emerges. This role is recognised as a vital part of learning from what has happened and facilitates being better prepared to face the future.

The collection of information can be achieved through a range of approaches that include impartial observation, conversations and document review. It is supported by rapid analysis to draw out key insights and feedback learning. This 'closes the loop' and supports a process of real time learning and improvement.

### **The role of Audit Wales in supporting the Welsh Public Services response to COVID-19**

The Auditor General's statutory remit places Audit Wales in a unique position to observe activity wherever public resources are being used. Our staff have strong networks and trusted relationships with people across the Welsh public services. Consistent with preserving his independence, the Auditor General plans to deploy Audit Wales staff in the three areas identified above, in support of the 'team Wales' efforts to respond to COVID-19.

Importantly, the approach taken will not impose an additional burden upon public bodies and will be predicated upon sharing useful information and analysis in real time alongside collecting what might be useful insights and learning for others.

Specifically, this will involve:

- Audit Wales staff collecting information through methods including reviews of documents and published materials, discussions with individuals and groups and observations of meetings (generally via remote working);
- The collation of this material within and across our audit teams, using our SenseMaker data tool, to provide rapid analysis; and
- The rapid dissemination of insights, additional knowledge and potential shared learning points to their original data sources, and more widely across Welsh public services where appropriate.

We anticipate that this will be an ongoing process of 'collect, analyse, share and repeat'. Greater value will potentially be generated over time as more information is gathered and shared with the people who can use it to support their response to COVID-19. We will also keep the process itself under close review and adjust it as needed in response to feedback and changing circumstances.

The overall approach taken will be consistent with how our Good Practice work has been developed over the last decade - working with public services to support them to improve, whilst maintaining the objectivity and independence that is required of the Auditor General.

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## **INTERNAL AUDIT REPORT**

### **SUMMARY**

This report updates Members upon progress being made against the Internal Audit Plan 2019/2020.

### **RECOMMENDATION**

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

## **1. BACKGROUND**

- 1.1 As Members will be aware, TIAA Limited are appointed as the Authority's Internal Auditors to undertake work covered in the Internal Audit Plan 2019/2020 which was approved by this Committee on 8 April 2019.
- 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. ISSUE**

- 2.1 The areas of internal audit reviews within the Annual Plan were completed with **3** final reports being issued:-
  - **Payment Cards**
  - **Key Financial Controls**
  - **Risk Management – Mitigating Controls**

The Summary Internal Audit Progress Report written by TIAA Limited is attached as Appendix 4.

### **2.2 Payment Cards**

- 2.2.1 The review considered the arrangements for authorising and paying costs incurred by the organisation through payment cards.
- 2.2.2 A substantial assurance level was given for this area with only one routine level recommendation made.

## 2.3 Key Financial Controls

2.3.1 This area is reviewed annually and considers the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Authority's requirements:- Budgetary Control, General Ledger, Cash, Banking & Treasury Management, Cash Flow Planning, Income & Debtors, Payments, Payroll, and Security of Assets.

2.3.2 The audit was given a reasonable level of assurance with one important recommendation made.

## 2.4 Risk Management – Mitigating Controls

2.4.1 The review assessed the quality and accuracy of the information provided to the Authority for providing assurance. Four risks currently included in the organisation's business significant risk map were selected, and the effectiveness of the identified assurance reviewed.

2.4.2 A reasonable level of assurance was given against this area with two recommendations, and one area of operational effectiveness identified.

## 3 EQUALITY RISK ASSESSMENT

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

## 4 RECOMMENDATION

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

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Payment Cards Appendix 2 – Key Financial Controls Appendix 3 – Risk Management – Mitigating Controls Appendix 4 – Summary Internal Audit Progress Report

## APPENDIX 1

# South Wales Fire and Rescue Service

## Assurance Review of Payment Cards

**2019/20**

March 2020

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### OVERALL CONCLUSION

The use of payment cards is well controlled with a Purchasing Card Policy in place through which procedures ensure that cards are only issued to authorised members of staff. There is clear guidance on how and when to use the card and the types of transactions that are permitted and to ensure that transactions are subject to authorisation and reconciliation incorporating segregation of duties.

- No Urgent or Import recommendations are made.
- There is a difference between the subsistence level of £25.00 quoted in the Purchasing Card Policy and the values recorded in the Service’s Payroll Policy with different rates for breakfast, lunch, tea and evening meals. This inconsistency has been recognised and the subsistence level is under review.

### SCOPE

The review considered the arrangements for authorising and paying costs incurred by the organisation through payment cards. The scope did not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed.

### ACTION POINTS

Urgent	Important	Routine	Operational
-	-	1	-

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	It was noted during the review that there is a difference between the subsistence level of £25.00 quoted in the Purchasing Card Policy and the values recorded in the Service's Payroll Policy which records the different rates for breakfast, lunch, tea and evening meals.	The subsistence levels applied to Purchase Cardholders through the Purchasing Card Policy and the levels recorded in the Payroll Policy be reviewed and aligned for consistency.	3	<i>Agreed, consistency is required. This review will be undertaken soon. A cross departmental approach is required for this as Payroll policy is set by HR although the work can certainly be instigated by Finance.</i>	2020/21 FY	Senior Acct

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 Matters

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Ref	Risk Area	Item	Management Comments
No Operational Effectiveness Matters were identified.			

ADVISORY NOTE

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

APPENDIX 2

# South Wales Fire and Rescue Service

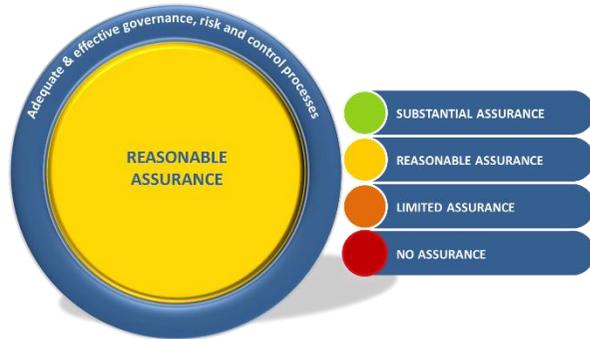
## Compliance Review of Key Financial Controls

2019/20

February 2020

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### OVERALL CONCLUSION

The Service has effective segregation of duties and key financial controls in place that are appropriate to the size of the Finance Team and which were found to be operating effectively from the testing completed as part of this review.

- The internal audit recommendation made in the 2018/19 Key Financial Controls review to update the Financial Procedure Rules is still outstanding for implementation.
- Testing did not identify any non-compliance issues with the financial processes.

### SCOPE

#### Rationale

Delivery and financial risk.

#### Scope

This review considered the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Authority's requirements: Budgetary control, General ledger, Cash, Banking & Treasury Management, Cash flow planning, Income & debtors, Payments, Payroll and Security of assets.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	1	0	0

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	The Finance Procedure Rules have not been reviewed and updated since July 2013.	The Financial Procedure Rules be reviewed and updated as previously agreed.	2	An update to this document will be undertaken by the end of the current financial year, i.e. 2019/20 with a more in depth review to be undertaken during 2020/21	Close of 19/20 update  20/21 review	Senior Accountant

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.

DRAFT

## Operational Effectiveness Matters

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Ref	Risk Area	Item	Management Comments
No Operational Effectiveness Matters were identified.			

### 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.

DRAFT

APPENDIX 3

## South Wales Fire and Rescue Service

### Compliance Review of Risk Management – Mitigating Controls

2019/20

February 2020

## Executive Summary

### OVERALL ASSURANCE ASSESSMENT



### OVERALL CONCLUSION

South Wales Fire Service have an effective system for recording and managing risk through the Business Management Information System (BMIS) which links risk management to business planning and operational activity.

- How the BMIS system records core controls that may be permanent or business as usual control measures in place to mitigate against risk needs to be reviewed to ensure that they are reviewed and acknowledged by risk owners and recorded within the system for transparency and monitoring purposes.
- Explanations and evidence was provided by Risk Owners for each of the risks selected to confirm that the risks were being managed effectively in line with the recorded control risk tasks.

### SCOPE

The review assessed the quality and accuracy of the information provided to the Authority for providing assurance. Four risks currently included in the organisation’s business significant risk map were selected and the effectiveness of the identified assurance reviewed. The scope of the review did not include consideration of all potential mitigating arrangements or their effectiveness in minimising the opportunities for the identified risks to occur.

The four strategic risks selected were:

- Liability;
- Industrial Action;
- On Call Duty System;
- Cyber Attack.

### ACTION POINTS

Urgent	Important	Routine	Operational
0	1	1	1

## Management Action Plan - Priority 1, 2 and 3 Recommendations

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Compliance	Examination of the control risk tasks for each the Strategic Risks included within the internal audit review noted that the task described tends to be a time restricted activity such as a project or implementation of an item of equipment or software rather than core controls that may be permanent or business as usual control measures in place to mitigate against risk.	How Business Management Information System (BMIS) is used to record core controls that may be permanent or business as usual control measures in place to mitigate against risk be reviewed to ensure that they are reviewed and acknowledged by risk owners and recorded within the system for transparency and monitoring purposes.	2	<i>The Planning, Performance &amp; Risk team conducted a review of risks with the organisation's Senior Management Team on 16<sup>th</sup> January 2020. It was recognised and discussed that a number of the control risk tasks identified are time-bound activities and that it may be beneficial to include other control measures within BMIS that are permanent/business as usual. The team will meet with all risk owners to differentiate between the two and will devise a method for capturing longer term control measures within BMIS, allowing risk owners to acknowledge them.</i>	31/03/2020	Wayne Thomas (Head of Service Performance & Communications)

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.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
2	Compliance	Review of the strategic risks selected for the internal audit review noted that the majority of current control risk tasks had the 31 <sup>st</sup> March 2020 as the due date. Some of the control risk tasks were identified as being permanent activities, that is, ongoing actions without an end date, whilst others were time bound activities with an anticipated end date beyond 31 <sup>st</sup> March 2020.	How the due date for risk control tasks is used be reviewed to ensure a true date is entered on the Business Management Information System (BMIS) or where tasks are ongoing this can also be recorded.	3	<i>This issue was raised during the review of risks conducted by the Planning, Performance and Risk team with the organisation's Senior Management Team as detailed above. Each strategic risk will be reviewed with the risk owner in order to identify risk tasks that are in fact permanent activities or longer term controls. A method of capturing these within BMIS will be devised and implemented by the Planning, Performance and Risk team.</i>	31/03/2020	Wayne Thomas (Head of Service Performance & Communications)

## 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 Matters

Ref	Risk Area	Item	Management Comments
1	Compliance	Risk control action OPS13.04 be closed on the BMIS system.	<i>This Risk control action has since been closed.</i>

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ADVISORY NOTE

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

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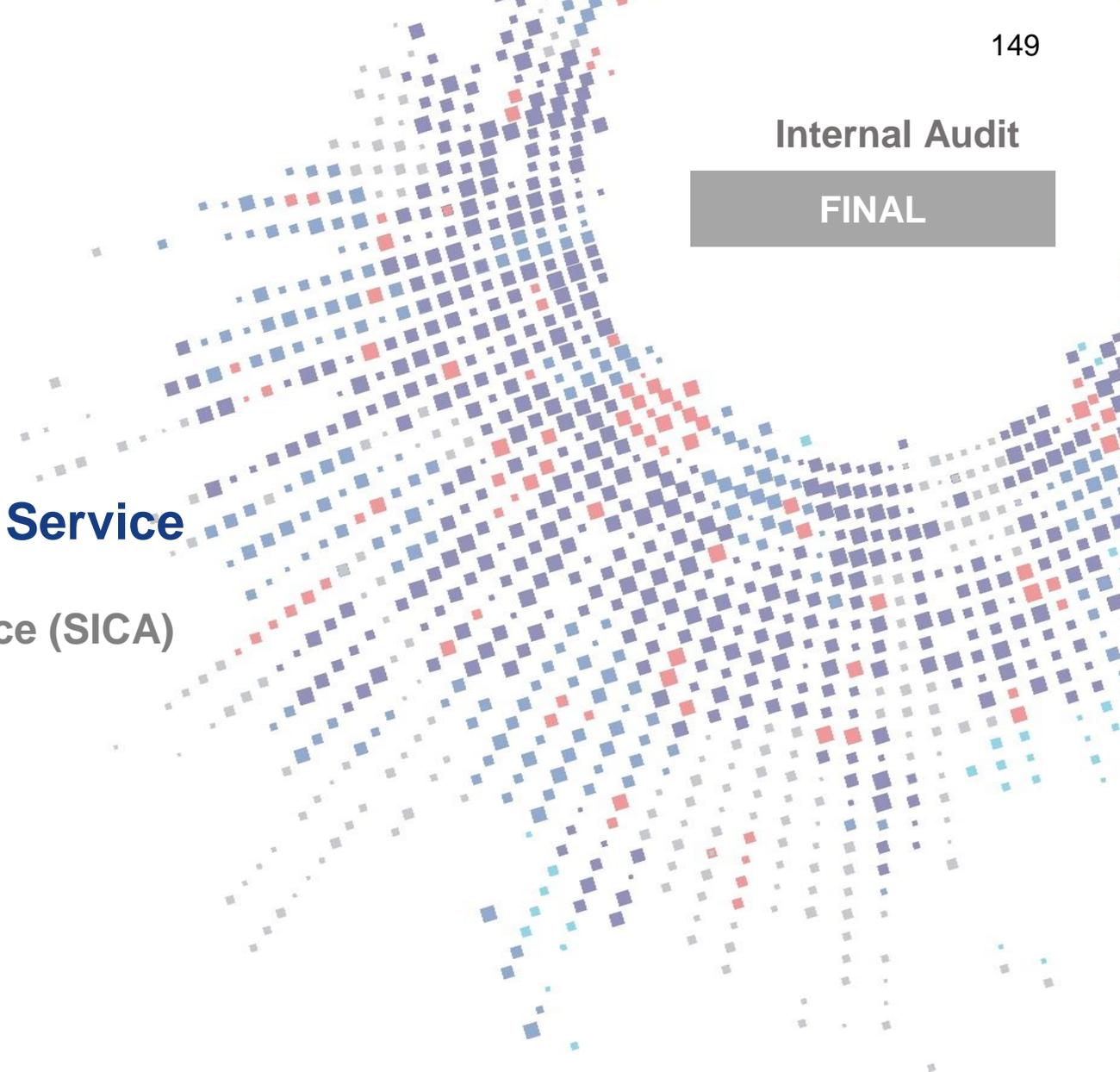
APPENDIX 4

# South Wales Fire and Rescue Service

## Summary Internal Controls Assurance (SICA) Report

**2019/20**

**May 2020**



## Introduction

1. This summary report provides the Finance, Audit and Performance Management Committee with an update on the progress of our work at South Wales Fire and Rescue Service as at 30<sup>th</sup> April 2020 SICA report.

## Progress against the 19/20 Annual Plan

2. Our progress against the Annual Plan for 2019-20 is set out in Appendix A.

## Internal Control Framework

3. The key strategic governance, risk management and control matters identified from the three reviews completed since the previous SICA are summarised below. There are no issues arising from these findings which would require the annual Head of Audit Opinion to be qualified.

### *Key Strategic Governance, Risk Management and Control Matters*

Review	High level
Risk Management – Mitigating Controls	<p>South Wales Fire and Rescue Service has an effective system for recording and managing risk through the Business Management Information System (BMIS) which links risk management to business planning and operational activity.</p> <ul style="list-style-type: none"> <li>• How the BMIS system records core controls that may be permanent or business as usual control measures in place to mitigate against risk needs to be reviewed to ensure that they are reviewed and acknowledged by risk owners and recorded within the system for transparency and monitoring purposes.</li> <li>• Explanations and evidence were provided by Risk Owners for each of the risks selected to confirm that the risks were being managed effectively in line with the recorded control risk tasks.</li> </ul>
Key Financial Controls	<p>The Service has effective segregation of duties and key financial controls in place that are appropriate to the size of the Finance Team and which were found to be operating effectively from the testing completed as part of this review.</p> <ul style="list-style-type: none"> <li>• The internal audit recommendation made in the 2018/19 Key Financial Controls review to update the Financial Procedure Rules is still outstanding for implementation.</li> <li>• Testing did not identify any non-compliance issues with the financial processes.</li> </ul>

Review	High level
Payment Cards	<p>The use of payment cards is well controlled with a Purchasing Card Policy in place through which procedures ensure that cards are only issued to authorised members of staff. There is clear guidance on how and when to use the card and the types of transactions that are permitted and to ensure that transactions are subject to authorisation and reconciliation incorporating segregation of duties.</p> <ul style="list-style-type: none"> <li>• No Urgent or Import recommendations are made.</li> <li>• There is a difference between the subsistence level of £25.00 quoted in the Purchasing Card Policy and the values recorded in the Service’s Payroll Policy with different rates for breakfast, lunch, tea and evening meals. This inconsistency has been recognised and the subsistence level is under review.</li> </ul>

**Emerging Governance, Risk and Internal Control Related Issues**

- The changes imposed on the Service as a result of Covid-19 are likely to impact the governance, risk and internal control framework of the organisation. TIAA has produced a series of Client Briefing Notes highlighting potential issues arising and a suggested approach to gaining assurance from an audit perspective in addition to a number of Fraud Alerts to support our clients during this period (details provided at paragraph 10 and Appendix B).

**Audits Completed since the last report to Committee**

- The table below sets out details of audits finalised since the previous meeting of the Finance, Audit and Performance Committee.

Review	Evaluation	Key Dates			Number of Recommendations			
		Draft issued	Responses Received	Final issued	1	2	3	OE
Risk Management – Mitigating Controls	Reasonable	21 <sup>st</sup> January 2020	4 <sup>th</sup> February 2020	4 <sup>th</sup> February 2020	0	1	1	1
Key Financial Controls	Reasonable	23 <sup>rd</sup> January 2020	10 <sup>th</sup> February 2020	12 <sup>th</sup> February 2020	0	1	0	0
Payment Cards	Substantial	26 <sup>th</sup> February 2020	26 <sup>th</sup> March 2020	31 <sup>st</sup> March 2020	0	0	1	0

## Changes to the Annual Plan 19/20

6. It was agreed that the contingency time within the Annual Plan was to be used to undertake a sustainability review of paper usage within the Service. However, it has been agreed that this review will be carried over into 2020/21 following the outbreak of the coronavirus. The 2019/20 plan has therefore been completed

## Frauds/Irregularities

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

## Liaison

8. **Liaison with external audit:** We have ongoing liaison with Audit Wales.

## Progress actioning Priority 1 recommendations

9. No Priority 1 recommendations have been made.

## Other Matters

10. Details of the briefing notes issued since the last Finance, Audit and Performance Committee are included at Appendix B.

Subject (CBN Ref)	Summary
Tips for virtual meetings and video conferencing during the COVID-19 Pandemic (20004)	The sudden and unexpected coronavirus, or COVID-19, pandemic has had an enormous impact on the way people work in just a few short weeks with a large majority of staff in organisations working from home. Remote working is a near necessity during this outbreak and web conferencing for meetings has replaced internal and external face-to-face meetings and presentations. Some key tips were provided for holding virtual meetings successfully.
Fraud Alert: Coronavirus Phishing Scam	Impersonating the World Health Organisation, cyber criminals are utilising the fear, uncertainty and doubt surrounding the recent coronavirus outbreak in Wuhan, China. Within their specifically crafted email, fraudsters claim to be offering a document stipulating safety measures to mitigate the spreading of the virus. The phony site requests users input their email username and password to gain access to the falsified document. Unfortunately we see this often in geopolitical events and world events, and it's not surprising that cybercriminals seek opportunities such as this to elicit a sense of fear and urgency in victims.

Subject (CBN Ref)	Summary
Fraud Alert: False Invoice Fraud - Increased Exposure	The fraud threat posed during emergency situations is higher than at other times, and all organisations should be attuned to the risks facing their business at this critical time. False invoice fraud occurs where someone submits a bogus invoice for payment in anticipation, that due to the COVID-19 pressures being experienced, it will be passed for payment without the usual level of scrutiny. This COVID-19 update is to alert organisations to the increased risk and vulnerability to fraud at this time. COVID-19 vulnerabilities risk assessment Controls put in place to mitigate invoice fraud risk may be compromised during this period of business disruption and we suggest the following risk assessment is performed.
Fraud Alert: Mandate Fraud -Increased Exposure	The fraud threat posed during emergency situations is higher than at other times, and all organisations should be attuned to the risks facing their business at this critical time. Mandate fraud occurs where someone contacts an organisation with a request to change a direct debit, standing order or bank transfer mandate by purporting to be from a genuine supplier that regular payments are made to. Organisations are urged to scrutinise requests for urgent payment; changes to bank account details or contact from third parties requesting changes to bank details and claiming to act on behalf of employees incapacitated by the virus.
Fraud Alert: Payroll Mandate Fraud - Increased Exposure	The fraud threat posed during emergency situations is higher than at other times, and all organisations should be attuned to the risks facing their business at this critical time. As raised in a Fraud Alert last year HR departments are being deceived by fraudsters who cleverly divert salary payments. In recent incidents, HR managers have received emails that appeared to have originated from a legitimate work email, using a standard, corporate email signature. The email had instructed HR managers to change an employee's banking details. By the time the employee notices and raises the alarm, it is often too late.  This COVID-19 update is to alert organisations to the increased risk and vulnerability to fraud at this time.

**Responsibility/Disclaimer**

10. 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.

## Progress against the Annual Plan for 2019/20

System	Planned Quarter	Days	Current Status	Comments
Pensions	1	6	Final Report issued 1 <sup>st</sup> May 2019	
Estate Management - Strategy	1	5	Final Report issued 5 <sup>th</sup> June 2019	
Fleet and Equipment Strategy	1	6	Final Report issued 31 <sup>st</sup> July 2019	
ICT Strategy	1	5	Final Report issued 6 <sup>th</sup> August 2019	
Station Visits	2	4	Final Report issued 1 <sup>st</sup> October 2019	
Governance – Strategic Planning	3	6	Final Report issued 25 <sup>th</sup> November 2019	
Finance/HR System – Data Import arrangements	2	6	Final Report issued 24 <sup>th</sup> October 2019	
Risk Management – Mitigating Controls	3	2	Final Report issued 4 <sup>th</sup> February 2020	
Key Financial Controls	4	6	Final Report issued 12 <sup>th</sup> February 2020	
Payment cards	4	5	Final Report issued 31 <sup>st</sup> March 2020	
Follow-up	4	3	Final Report issued 22 <sup>nd</sup> January 2020	
Contingency	-	6		Paragraph 6 refers.
Annual Planning	1	2	Final Report Issued 17 <sup>th</sup> April 2019	

System	Planned Quarter	Days	Current Status	Comments
Annual Report	4	1	<b>Final Report Issued on 23<sup>rd</sup> April 2020</b>	
Client Portal	01-Apr			
Management, Planning & Finance, Audit and Performance Management Committee Reporting/Support	01-Apr	7		

**KEY:**

 To be commenced

 Site work commenced

 Draft report issued

 Final report issued

/

## Briefings on Developments in Governance, Risk and Control

Date Issued	CBN Ref	Subject	Status	TIAA Comments
February 2020	Fraud Alert	Coronavirus Phishing Scam		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to Action Fraud by calling 0300 123 2040, or visiting the Action Fraud website. Additionally, you should notify your usual counter fraud contact.
March 2020	Fraud Alert	False Invoice Fraud - Increased Exposure		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist.
April 2020	Fraud Alert	Mandate Fraud - Increased Exposure		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist.
April 2020	Fraud Alert	Payroll Mandate Fraud - Increased Exposure		<b>Action Required</b> This alert provides information and advice to staff about fraud and economic crime that may occur during the COVID-19 emergency, and the risks associated with it. If you or your organisation has fallen victim to fraud you should report it to your Local Counter Fraud Specialist.

Date Issued	CBN Ref	Subject	Status	TIAA Comments
06/04/2020	CBN: 20004	All - Tips for virtual meetings and video conferencing during the COVID-19 Pandemic		<p><b>No Action Required</b></p> <p>This briefing note has been provided for information only.</p>

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**3. EQUALITY RISK ASSESSMENT**

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

**4. RECOMMENDATION**

- 4.1 That Members note the work and overall opinion of the Internal Auditors for the financial year 2019/2020.

<b>Contact Officer:</b>	<b>Background Papers:</b>
Geraint Thomas Head of Finance & Procurement	Appendix 1 – Internal Auditors Annual Report Year ending 31 March 2020

# South Wales Fire and Rescue Service

Internal Audit Annual Report

2019/20

April 2020

## Internal Audit Annual Report

### Introduction

This is the 2019/20 Annual Report by TIAA on the internal control environment at South Wales Fire and Rescue Service. The annual internal audit report summarises the outcomes of the reviews we have carried out on the South Wales Fire and Rescue Service's framework of governance, risk management and control.

### Limitations on our opinion arising from Covid-19

The delivery of the internal audit work for 2019/20 was completed in early March 2020 and, as such, was not impacted by the global Covid-19 pandemic which has taken hold during this accounting period.

The consequences of this unprecedented event are expected to continue into the new financial year and will continue to pose significant risks to all South Wales Fire and Rescue Service. The impact of ongoing events on South Wales Fire and Rescue Service's control systems, financial sustainability or operational performance have not been assessed and our opinion takes no account of this. This report is designed to assist the Finance Audit Risk and Performance Committee and Fire Authority in completing the annual governance statement.

#### HEAD OF INTERNAL AUDIT'S ANNUAL OPINION

**TIAA is satisfied that, for the areas reviewed during the year, South Wales Fire and Rescue has reasonable and effective risk management, control and governance processes in place.**

**This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by South Wales Fire and Rescue from its various sources of assurance.**

### Internal Audit Planned Coverage and Output

The 2019/20 Annual Audit Plan approved by the Finance Audit and Performance Committee (FAPM) was for 70 days of internal audit coverage in the year. During the year there were no changes to the Audit Plan.

All the planned work has been carried out and the reports have been issued (Annex A). The contingency for six days was not used. No extra work was carried out which was in addition that set out in the Annual Audit Plan.

### Assurance

TIAA carried out nine reviews, which were designed to ascertain the extent to which the internal controls in the system are adequate to ensure that activities and procedures are operating to achieve South Wales Fire and Rescue's objectives and one advisory review. For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks was provided. Details of these are provided in Annex A and a summary is set out below.

Assurance Assessments	Number of Reviews	Previous Year
Substantial Assurance	5	3
Reasonable Assurance	4	4
Limited Assurance	0	1
No Assurance	0	0

The areas on which the assurance assessments have been provided can only provide reasonable and not absolute assurance against misstatement or loss and their effectiveness is reduced if the internal audit recommendations made during the year have not been fully implemented.

We made the following total number of recommendations on our audit work carried out in 2019/20. The numbers in brackets relate to 2018/19 recommendations

Urgent	Important	Routine
0 (1)	6 (22)	11 (14)

**Audit Summary**

**Control weaknesses:** There were no areas reviewed by internal audit where it was assessed that the effectiveness of some of the internal control arrangements provided 'limited' or 'no assurance'.

**Recommendations Made:** We have analysed our findings/recommendations by risk area and these are summarised below.

Risk Area	Urgent	Important	Routine
Directed	0	1	1
Compliance	0	5	10
Operational	0	0	0
Reputational	0	0	0

**Operational Effectiveness Opportunities:** One of the roles of internal audit is to add value and during the financial year we provided advice on opportunities to enhance the operational effectiveness of the areas reviewed and the number of these opportunities is summarised below.

Operational
10

**Independence and Objectivity of Internal Audit**

There were no limitations or restrictions placed on the internal audit service which impaired either the independence or objectivity of the service provided.

**Performance and Quality Assurance**

The following Performance Targets were used to measure the performance of internal audit in delivering the Annual Plan.

Performance Measure	Target	Attained
Completion of Planned Audits	100%	100%
Audits Completed in Time Allocation	100%	100%
Final report issued within 10 working days of receipt of responses	100%	100%
Compliance with Public Sector Internal Audit Standards	100%	100%

Ongoing quality assurance work was carried out throughout the year and we continue to comply with ISO 9001:2015 standards. An independent external review was carried out of our compliance of the Public Sector Internal Audit Standards (PSIAS) in 2017 and in particular to meet the requirement of an independent 5 year review, the outcome confirmed full compliance with all the standards.

### Release of Report

The table below sets out the history of this Annual Report.

<b>Date Report issued:</b>	23 <sup>rd</sup> April 2020
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Annexes

Annex A

Actual against planned Internal Audit Work 2019/20

System	Type	Planned Days	Actual Days	Assurance Assessment	Comments
Pensions	Assurance	6	6	Substantial	
Estate Management - Strategy	Assurance	5	5	Substantial	
Fleet and Equipment Strategy	Assurance	6	6	Substantial	
ICT Strategy	Assurance	5	5	Reasonable	
Finance/HR System – Data Import arrangements	Advisory	6	6	Advisory	
Station Visits	Compliance	4	4	Substantial	
Governance – Strategic Planning	Assurance	6	6	Reasonable	
Risk Management – Mitigating Controls	Compliance	2	2	Reasonable	
Key Financial Controls	Compliance	6	6	Reasonable	
Payment cards	Assurance	5	5	Substantial	
Follow Up	Follow Up	3	3		
Contingency	N/A	6	0		Not used
Annual Planning		2	2		Final issued
Annual Report		1	1		Final issued
Management, Planning & Finance, Audit and Performance Management Committee Reporting/Support		7	7		
	<b>Total Days</b>	<b>70</b>	<b>64</b>		

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**SOUTH WALES FIRE & RESCUE AUTHORITY**  
FINANCE AUDIT & PERFORMANCE  
MANAGEMENT COMMITTEE  
REPORT OF THE DEPUTY CHIEF OFFICER

AGENDA ITEM NO 10  
15 JUNE 2020

**INTERNAL AUDIT ANNUAL PLAN 2020/2021**

**SUMMARY**

This report details the proposed Internal Audit Annual Plan 2020/2021 for Members approval.

**RECOMMENDATION**

That Members approve the Internal Audit Annual Plan for 2020/2021.

**1. BACKGROUND**

- 1.1 As a requirement of the internal audit work of the Fire & Rescue Authority, it is necessary for Members of the Finance, Audit & Performance Management Committee to agree to an Internal Audit Annual Plan for the financial year.
- 1.2 Following a tender process in January 2017, TIAA have been awarded a contract for internal audit services for an initial period of three years commencing on 1 April 2017. The option to extend the contract for a further two years has been exercised and will run until March 2022.

**2. ISSUE**

- 2.1 Attached at Appendix 1 is the proposed Internal Audit Annual Plan for 2020/2021 for Members consideration. The rationale for the plan is contained within the appended report.
- 2.2 To monitor progress against the internal audit annual plan, regular reports will be presented to this Committee outlining the audits undertaken, the status of reports and the recommendations being made by the internal auditors.

**3. FINANCIAL IMPLICATIONS**

- 3.1 The work proposed to be undertaken by Internal Audit as part of the proposed Annual Plan 2020/2021 is allocated as a budget line within the total revenue budget for 2020/2021.

#### 4. EQUALITY RISK ASSESSMENT

- 4.1 The issues raised within this report have no adverse impact on the protected characteristics, and will be considered during the audit process.

#### 5. RECOMMENDATION

- 5.1 That Members approve the Internal Audit Annual Plan for 2020/2021.

<b>Contact Officer:</b> Geraint Thomas Head of Finance & Procurement	<b>Background Papers:</b> Appendix 1 – Internal Audit Annual Plan 2020/2021
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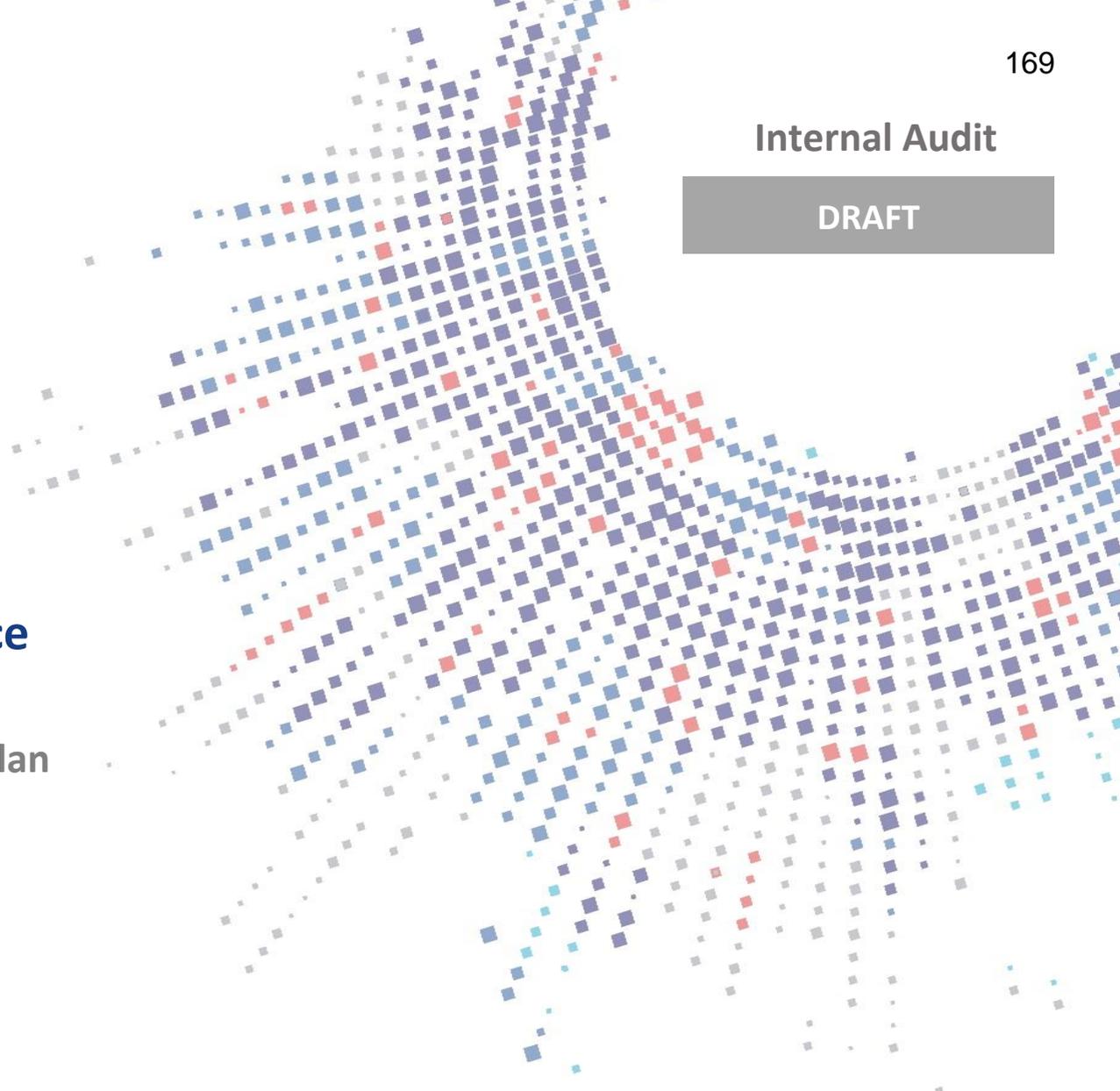
APPENDIX 1

South Wales Fire and Rescue Service

Audit Strategy and Annual Internal Audit Plan

2020/21

January 2020



## Overview

### Introduction

The Audit Plan for 2020/21 has been informed by a risk assessment carried out across all our clients (with members and senior management) and by an updated audit risk assessment to ensure that planned coverage for the year is focussed on the key audit risks, and that the coverage will enable a robust annual Head of Internal Audit Opinion to be provided.

### Key Emerging Themes

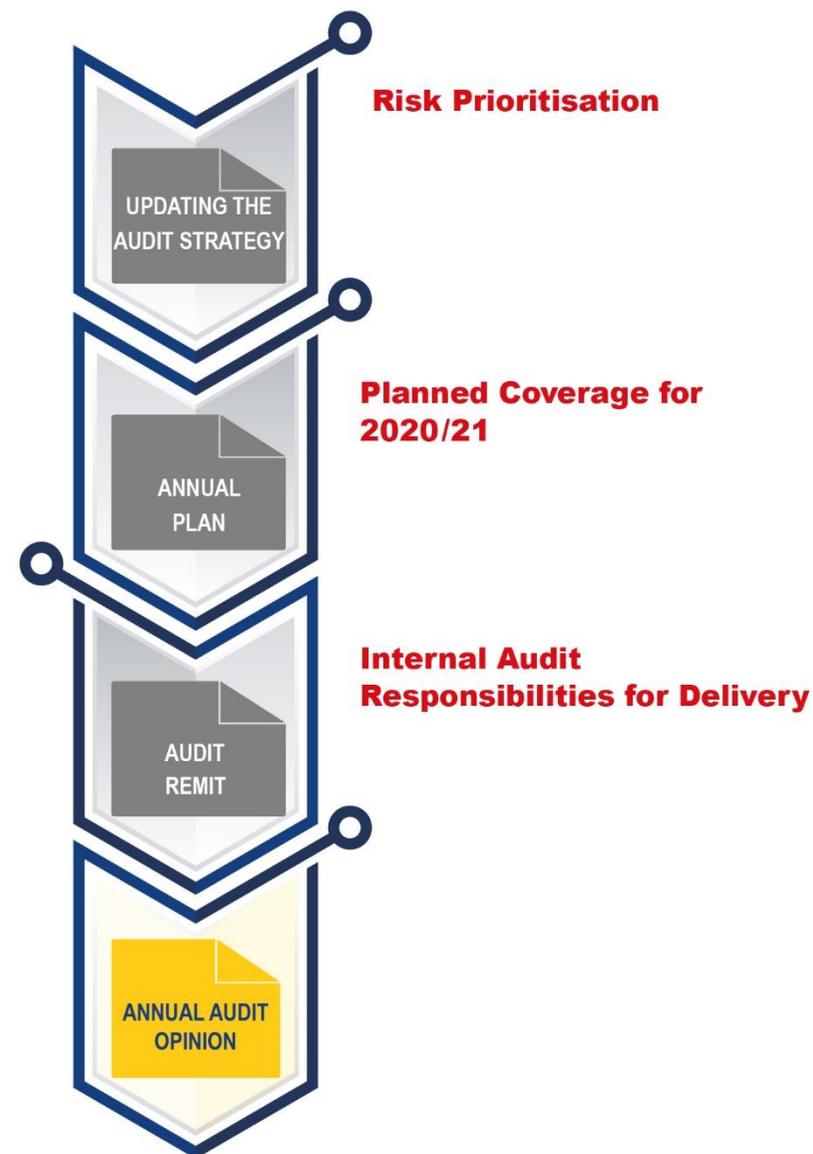
This year will be another challenging year for organisations in terms of income, regulation and also the pressures on service delivery. We have identified a number of key areas which require consideration when planning internal audit coverage.

- Workforce - Studies have shown that work pressures are affecting the health and wellbeing of the workforce and from an operational perspective there is a continual need to ensure firefighters receive appropriate and timely training in particular in relation to changes in response to the Grenfell Tower tragedy and subsequent enquiry.
- Financial / Value for Money - The requirement to achieve efficiency and effectiveness through collaboration, partnership working and to demonstrate compliance with the Well-being of Future Generations Act.
- Operational Pressures – Fire services need to ensure resilience and continuity of service in light increased risks of terrorist attacks and reliance on technology to deliver services.
- IT Security – Cybercrime continues to increase in scale and complexity.
- Brexit - There is continuing uncertainty in relation to legislation which need to be created following the UK's departure from the European Union.

### Adequacy of the planned audit coverage

The reviews identified in the audit plan for 2020/21 support the Head of Internal Audit's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control as required by TIAA's charter. The reviews have been identified from your assurance framework, risk registers and key emerging themes.

2020/21 Audit planning process



## Internal Audit Plan

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### Audit Strategy Methodology

We adopt a proprietary risk-based approach to determining your audit needs each year which includes reviewing your risk register and risk management framework, the regulatory framework, external audit recommendations and previous internal audit work for the organisation, together with key corporate documentation such as your business and corporate plan, standing orders, and financial regulations. For 2020/21 we have conducted an analysis of the key risks facing the sector and client base more broadly to inform our annual planning. The Audit Strategy is based predominantly on our understanding of the inherent risks facing the South Wales Fire and Rescue Service and those within the sector and has been developed with senior management and Committee. We adopt a proprietary risk based approach (GUARD) to determining your audit needs each year which includes reviewing your risk register and risk management framework and the Regulatory Framework. The Audit Strategy is based predominantly on our understanding of the inherent risks facing South Wales Fire and Rescue Service and those within the sector and has been developed with senior management and Committee. Our approach is based on the guidance stipulated in the Public Sector Internal Audit Standards (PSIAS).

### Risk Prioritisation

Each year an updated risk assessment is carried out to ensure the Audit Strategy remains fully aligned with the key risks facing South Wales Fire and Rescue Service. Annex A contains the GUARD assessment of key risks which has been completed, to identify those that are most relevant to the organisation and where internal audit assurance would be best focussed.

### Internal Audit Strategy Plan

Following the risk prioritisation review, the Audit Strategy has been updated (Annex B) and the Annual Plan (Annex C) sets out the reviews that will be carried out, the planned times and the scopes for each of these reviews.

The Annual Plan will be subject to ongoing review and could change as the risks change for the organisation and will be formally reviewed with senior management and the Finance, Audit and Performance Management Committee mid-way through the financial year or should a significant issue arise.

The overall agreed time for the delivery of the Annual Plan includes: research, preparation and issue of terms of reference, site work, production and review of working papers and reports. The Annual Plan has been prepared on the assumption that the expected controls will be in place.

The total number of days required to deliver the Audit Plan is as agreed in the contract between TIAA and South Wales Fire and Rescue Service. This number of days is fixed and it is TIAA's responsibility to deliver the Audit Plan for this number of days. Where South Wales Fire and Rescue Service agrees additional work, the required number of days and the aggregate day rate will be agreed in advance with the Deputy Chief Officer and will be clearly set out in the terms of reference for the additional review(s).

### Audit Remit/Charter

The Audit Remit/Charter (Annex D) formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within South Wales Fire and Rescue Service and defines the scope of internal audit activities.

### Reporting

**Assignment Reports:** A separate report will be prepared for each review carried out. Each report will be prepared in accordance with the arrangements contained in the Terms of Reference agreed with TIAA and which accord with the requirements of TIAA's audit charter and the PSIAS.

**Progress Reports:** Progress reports will be prepared for each Finance, Audit and Performance Management Committee meeting. Each report will detail progress achieved to date against the agreed annual plan.

**Annual Report:** An Annual Report will be prepared for each year in accordance with the requirements set out in TIAA's audit charter and the PSIAS. The Annual Report will include a summary opinion of the effectiveness of South Wales Fire and Rescue Service's governance, risk management and operational control processes based on the work completed during the year.

**Other Briefings:** During the year Client Briefing Notes, Benchmarking and lessons learned digests will be provided. These are designed to keep the organisation abreast of in-year developments which may impact on the governance, risk and control assurance framework.

## Providing Assurance

For each assurance review an assessment of the combined effectiveness of the controls in mitigating the key control risks will be provided. The assurance assessment process is set out in Annex D.

## Liaison with the External Auditor

We will liaise with South Wales Fire and Rescue Service External Auditor. Any matters in the areas included in the Annual Plan that are identified by the external auditor in their audit management letters will be included in the scope of the appropriate review.

## Performance

The following Performance Targets will be used to measure the performance of internal audit in delivering the Annual Plan:

Area	Performance Measure	Target
Achievement of the plan	Completion of planned audits.	100%
	Audits completed in time allocation.	100%
Reports Issued	Draft report issued within 10 working days of exit meeting.	95%
	Final report issued within 10 working days of receipt of responses.	95%
Professional Standards	Compliance with TIAA's audit charter and the PSIAS.	100%

## Conflict of Interest

We are not aware of any conflicts of interest and should any arise we will manage them in line with TIAA's audit charter and the PSIAS, South Wales Fire and Rescue Service's requirements and TIAA's internal policies.

## Limitations and Responsibility

Substantive testing will only be carried out where a review assesses the internal controls to be providing 'limited' or 'no' assurance with the prior approval of South Wales Fire and Rescue Service and additional time will be required to carry out such testing. South Wales Fire and

Rescue Service is responsible for taking appropriate action to establish whether any loss or impropriety has arisen as a result of the control weaknesses.

Internal controls can only provide reasonable and not absolute assurance against misstatement or loss. The limitations on assurance include the possibility of one or more of the following situations, control activities being circumvented by the collusion of two or more persons, human error, or the overriding of controls by management. Additionally, no assurance can be provided that the internal controls will continue to operate effectively in future periods or that the controls will be adequate to mitigate all significant risks that may arise in future.

The responsibility for a sound system of internal controls rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Reliance will be placed on management to provide internal audit with full access to staff and to accounting records and transactions and to ensure the authenticity of these documents.

The matters raised in the audit reports will be only those that come to the attention of the auditor during the course of the internal audit reviews and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. The audit reports are prepared solely for management's use and are not prepared for any other purpose.

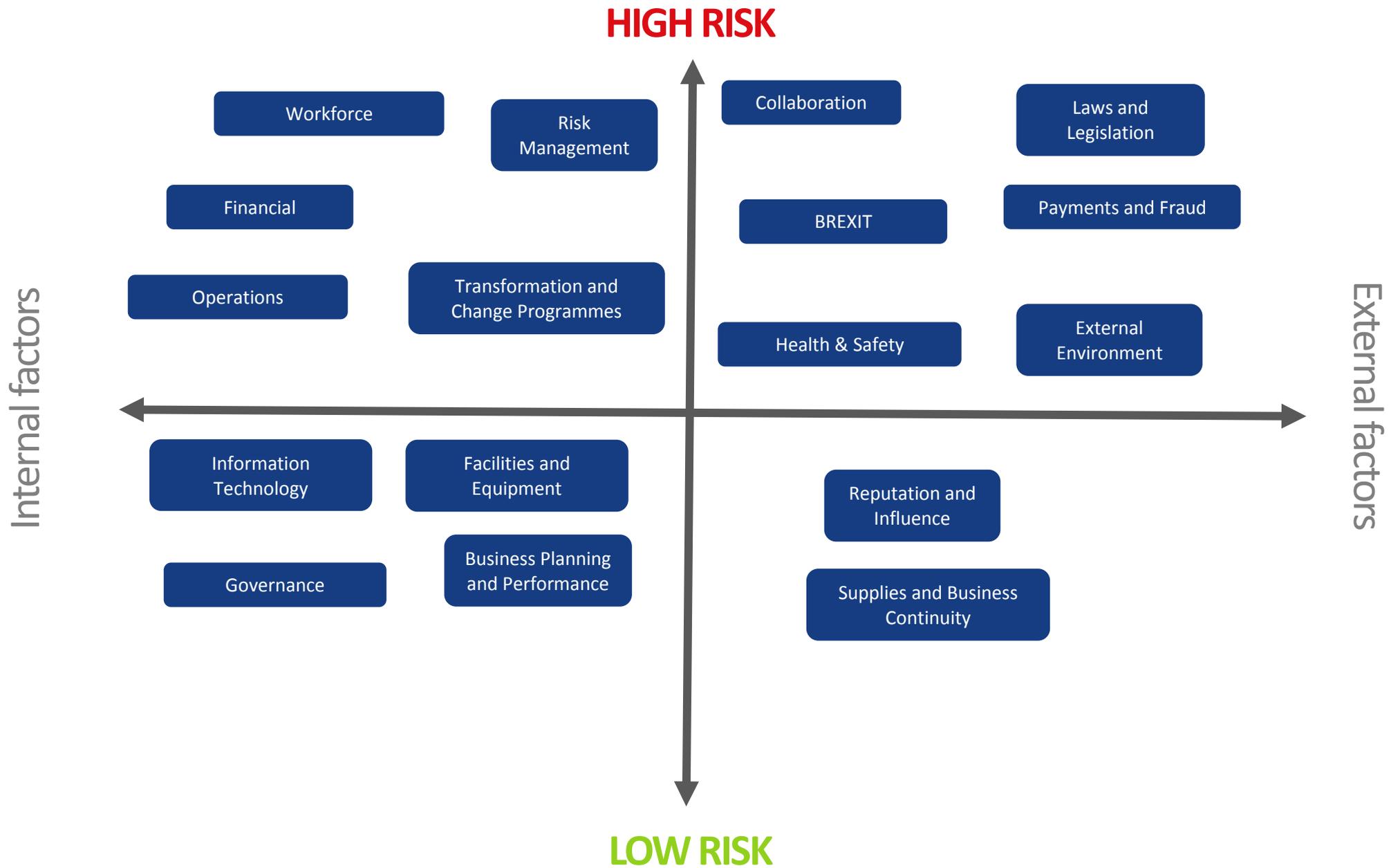
## Finance, Audit and Performance Management Committee Responsibility

It is the responsibility of the Finance, Audit and Performance Management Committee to determine that the number of audit days to be provided and the planned audit coverage are sufficient to meet the Committee's requirements and the areas selected for review are appropriate to provide assurance against the key risks within the organisation.

## Release of Report

The table below sets out the history of this plan.

Date plan issued:	29 <sup>th</sup> January 2020
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Review Area	Type	2020/21	2021/22	2022/23
<b>Governance</b>				
Key governance areas will be reviewed on a rotational basis each year such as strategic planning, strategic control, regulatory compliance, performance management, board assurance framework, partnership working, management of conflicts, health and safety, subsidiary governance and third party assurances.	Assurance	✓	✓	✓
Strategic Control	Assurance	✓		
Performance Management	Assurance		✓	
Collaboration	Assurance		✓	
Strategic Planning	Assurance			✓
Partnerships	Assurance			✓
<b>Risk</b>				
A robust risk management framework is critical to all organisations to ensure risks are effectively management and emerging risks identified our cyclical annual reviews will cover embedding risk, risk identification, risk mitigation and risk workshops.	Appraisal / Compliance	✓	✓	✓
Mitigating Controls	Compliance	✓	✓	✓
Collaboration	Assurance		✓	
<b>Financial systems - Cost Control and Income Maximisation</b>				
Cost control, income maximisation and robust financial systems are essential to financial well-being of any organisation. Our reviews of key financial systems are designed to ensure compliance with PSIAS and help protect against potential frauds. We will carry out a high level review of key financial systems each year supported by a rolling programme of financial system reviews such as payments health check, income, payroll, budgetary control/management reporting, cost improvement planning and nominal ledger.	Assurance / Compliance	✓	✓	✓
Key Financial Controls	Assurance	✓	✓	✓
Procurement	Assurance	✓		
Anti-Fraud	Compliance			✓
Payroll	Assurance			✓
<b>Workforce Management</b>				
A key element of South Wales Fire and Rescue Service's Strategic Plan and the largest area of expenditure. Audit work will include delivery of the Human Resources Strategies, Organisational Development and the Wellbeing Strategies.	Assurance	✓	✓	✓
Human Resources Management – Training	Assurance	✓		
Secondary Employment	Assurance		✓	
Health and Safety Management	Assurance		✓	

Review Area	Type	2020/21	2021/22	2022/23
Human Resources Management – Wellbeing	Assurance		✓	
HR Management – Rosters	Assurance			✓
<b>Estates and Fleet</b>				
Estates and the Fleet will receive audit coverage as key areas of expenditure for South Wales Fire and Rescue.	Assurance / Compliance	✓	✓	✓
Station Visits	Compliance	✓	✓	✓
Estate Management - Delivery	Assurance	✓		
Fleet Management - Delivery	Assurance			✓
<b>ICT</b>				
We will use our GUARD risk assessment to continue to review ICT risks and controls in place within the organisation. The rolling programme of reviews will include data protection, ICT governance, ICT management and business support, application reviews, network security, data quality and cyber security.	Assurance	✓	✓	✓
ICT Data Assurance	Assurance	✓		
ICT Cyber Security	Assurance		✓	
ICT Network Security	Assurance			✓
<b>Follow Up</b>				
We will carry out an annual follow up of internal audit recommendations.	Follow Up	✓	✓	✓
<b>Organisation Review Area</b>				
Communications	Assurance	✓	-	-
<b>Data Analytics &amp; Benchmarking</b>				
Benchmarking Topic to be agreed	-		✓	
<b>Management and Planning</b>				
Briefings	-	✓	✓	✓
Planning	-	✓	✓	✓
Annual Report	-	✓	✓	✓
Management	-	✓	✓	✓
Total Days		70	70	70

Quarter	Review	Type	Days	Risk, Rationale and Scope
1	Strategic Control	Assurance	6	<p><u>Risk</u> Inadequate or ineffective governance arrangements result in an inability to deliver the objectives of South Wales Fire and Rescue Service's Strategic Plan.</p> <p><u>Rationale</u> Key governance risk area.</p> <p><u>Scope</u> The review considers the role and operation of: the South Wales Fire and Rescue Authority and senior management groups; standing orders and financial regulations; and delegated authorities. The review does not include consideration of the extent of compliance and reporting on controls assurance or the arrangements for managing risks or conflicts of interest.</p>
1	Communications	Assurance	6	<p><u>Risk</u> Communications and public relations strategies and practices fail to convey South Wales Fire and Rescue Service's vision, mission and core values resulting in a risk to reputation and public perception.</p> <p><u>Rationale</u> Key reputational risk area.</p> <p><u>Scope</u> The review will consider the effectiveness of the internal and external Communication and Public Relations strategies, management arrangements, processes and delivery. The review will also consider how corporate communications and departmental teams work together to publicise events and campaigns.</p>
1	ICT Data Assurance	Assurance	6	<p><u>Risk</u> A breach of data security may result in loss of sensitive data which may cause reputational damage or also result in significant fines through the Information Commissioners Office.</p> <p><u>Rationale</u> Key ICT risk area.</p> <p><u>Scope</u> The review considers the arrangements for the approval process for permitting electronic data to be passed to third parties, the data security arrangements and the transit arrangements designed to minimise unauthorised access to the data whilst it is in transit and the monitoring arrangements. The scope of the review does not include consideration of the IT network and application security arrangements or the need to transfer the specific data to specific third parties.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
2	Procurement	Assurance	6	<p><u>Risk</u></p> <p>Failure to implement sustainable procurement practices may result in South Wales Fire and Rescue Service not contributing fully to the aims Well-being of Future Generations Act to work more effectively with communities, other public sector bodies and prevent problems such as poverty, health inequalities and climate change.</p> <p><u>Rationale</u></p> <p>South Wales Fire and Rescue Service need to demonstrate that it spends money in an ethically and responsible way.</p> <p><u>Scope</u></p> <p>The review considers the arrangements for considering sustainability and environmental factors in the identification of need, sourcing, approving and receipt of goods and services, including tendering arrangements and how the requirements of the Well-being of Future Generations Act is considered in the overall procurement arrangements.</p>
2	Station Visits	Compliance	4	<p><u>Risk</u></p> <p>Financial and administrative practices at Stations do not comply with corporate policies resulting in risks in relation to health and safety and financial management.</p> <p><u>Rationale</u></p> <p>A sample of stations visited each year to ensure local compliance with corporate procedures.</p> <p><u>Scope</u></p> <p>The review will consider the arrangements for complying with the organisation’s financial procedures at two whole-time stations and one retained duty system station. The sample will include stations that are co-located with other emergency services.</p>
2	Human Resources Management – Training	Assurance	9	<p><u>Risk</u></p> <p>Firefighter training is not provided or not refreshed resulting in health and safety risks through failure to apply standard operating procedures and practices.</p> <p><u>Rationale</u></p> <p>Key operational and health and safety risk area.</p> <p><u>Scope</u></p> <p>The review considers the arrangements for: determining the training requirements; the monitoring arrangements; management information produced; and, reporting to committee. The review will focus on operational staff within Technical Services and include verification of training records and comparison of records held within Human Resources and other training records databases. The scope of the review does not include verification that all staff have been correctly appraised or that all training needs have been correctly assessed, or the arrangements for provision of in-house training.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
3	Key Financial Controls	Assurance	6	<p><u>Risk</u></p> <p>Poor or ineffective financial control may result in budget estimates not being met, inappropriate payments being made or income due not being collected in full or in a timely manner.</p> <p><u>Rationale</u></p> <p>Key financial controls reviewed annually.</p> <p><u>Scope</u></p> <p>This review considers the effectiveness of the key financial controls which provide assurance that the following systems are operating in accordance with the Association's requirements:</p> <ul style="list-style-type: none"> <li>• Budgetary control</li> <li>• General ledger</li> <li>• Cash, banking &amp; treasury management</li> <li>• Cash flow planning</li> <li>• Income &amp; debtors</li> <li>• Payments</li> <li>• Payroll</li> <li>• Security of assets.</li> </ul>
3	Mitigating Controls	Compliance	2	<p><u>Risk</u></p> <p>Failure to manage risks effectively may result in an inability to deliver South Wales Fire and Rescue Service's strategic or business plan objectives.</p> <p><u>Rationale</u></p> <p>Key operational risks.</p> <p><u>Scope</u></p> <p>The review will assess the quality and accuracy of the information provided to the Authority for providing assurance. Four risks will be selected from South Wales Fire and Rescue Service's strategic risks and business plan risks and the effectiveness of the identified assurance will be reviewed. The scope of the review does not include consideration of all potential mitigating arrangements or their effectiveness in minimising the opportunities for the identified risks to occur.</p>

Quarter	Review	Type	Days	Risk, Rationale and Scope
4	Estate Management - Delivery	Assurance	6	<p><u>Risk</u> Stock condition surveys are not adhered to resulting increased maintenance costs and in assets that are not fit for purpose. / There is a risk that planned maintenance programmes are not delivered at the expense of reactive works resulting in further costs in the long term.</p> <p><u>Rationale</u> Significant area of expenditure.</p> <p><u>Scope</u> The review appraises the adequacy of the arrangements for managing the Estate and the Asset Programme. The review considers: the arrangements for the stock and asset condition survey; the subsequent identification of need and prioritisation of the planned works programme; incorporation of equality impact assessments; and, monitoring the planned works programme and reactive maintenance activity.</p>
4	Follow-up	Follow up	3	Follow-up of implementation of agreed recommendations from audit reports, ensuring the Organisation is implementing recommendations, and providing reports to the Finance, Audit and Performance Management Committee.
TBC	Contingency	TBC	6	
1	Annual Planning	Management	2	Assessing the Organisation's annual audit needs – requirement of Internal Audit Standards.
4	Annual Report	Management	1	Reporting on the overall conclusions and opinion based on the year's audits and other information and providing input to the Annual Governance Statement.
1-4	Client Portal			The client portal provides a one stop shop of internal audit reports, progress and recommendation tracker as well as briefings, fraud alerts, fraud updates and committee briefings.
1-4	Management, Planning & Joint Audit Committee Reporting/Support	Management	7	This time includes: meeting client management, overseeing the audit plan, reporting and supporting the Finance, Audit and Performance Management Committee, liaising with External Audit and Client briefings (including fraud alerts, fraud digests and committee briefings).
<b>Total days</b>			<b>70</b>	

## Role

The main objective of the internal audit activity carried out by TIAA is to provide, in an economical, efficient and timely manner, an objective evaluation of, and opinion on, the overall adequacy and effectiveness of South Wales Fire and Rescue's framework of governance, risk management and control. TIAA is responsible for giving assurance to South Wales Fire and Rescue's "Governing Body" (being the body with overall responsibility for the organisation) on the adequacy and effectiveness of South Wales Fire and Rescue's risk management, control and governance processes.

## Scope

All South Wales Fire and Rescue's activities fall within the remit of TIAA. TIAA may consider the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that South Wales Fire and Rescue's management has taken the necessary steps to achieve these objectives and manage the associated risks. It is not within the remit of TIAA to question the appropriateness of policy decisions. However, TIAA is required to examine the arrangements by which such decisions are made, monitored and reviewed.

TIAA may also conduct any special reviews requested by the board, Finance, Audit and Performance Management Committee or the nominated officer (being the post responsible for the day to day liaison with the TIAA), provided such reviews do not compromise the audit service's objectivity or independence, or the achievement of the approved audit plan.

## Access

TIAA has unrestricted access to all documents, records, assets, personnel and premises of South Wales Fire and Rescue and is authorised to obtain such information and explanations as they consider necessary to form their opinion. The collection of data for this purpose will be carried out in a manner prescribed by TIAA's professional standards, Information Security and Information Governance policies.

## Standards and Approach

TIAA's work will be performed with due professional care, in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

## Independence

TIAA has no executive role, nor does it have any responsibility for the development, implementation or operation of systems. However, it may provide independent and objective advice on risk management, control, governance processes and related matters, subject to resource constraints. For day to day administrative purposes only, TIAA reports to a nominated officer within South Wales Fire and Rescue and the reporting arrangements must take account of the nature of audit work undertaken. TIAA has a right of direct access to the chair of the board, the chair of the Finance, Audit and Performance Management Committee and the responsible accounting officer (being the post charged with financial responsibility).

To preserve the objectivity and impartiality of TIAA's professional judgement, responsibility for implementing audit recommendations rests with South Wales Fire and Rescue's management.

Consultancy activities are only undertaken with distinct regard for potential conflict of interest. In this role we will act in an advisory capacity and the nature and scope of the work will be agreed in advance and strictly adhered to.

## Irregularities, Including Fraud and Corruption

TIAA will without delay report to the appropriate regulator, serious weaknesses, significant fraud, major accounting and other breakdowns subject to the requirements of the Proceeds of Crime Act 2002.

TIAA will be informed when evidence of potential irregularity, including fraud, corruption or any impropriety, is discovered so that TIAA can consider the adequacy of the relevant controls, evaluate the implication of the fraud on the risk management, control and governance processes and consider making recommendations as appropriate. The role of TIAA is not to investigate the irregularity unless commissioned to do so.

**Corporate Assurance Risks**

We consider four corporate assurance risks; directed; compliance; operational and reputational, and tailor the type of audit accordingly. For all types of audit we also taken into account value for money considerations and any linkages to the organisational Assurance Framework. The outcomes of our work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

**Assurance Assessment Gradings**

We use four levels of assurance assessment: substantial; reasonable, limited and no. Detailed explanations of these assurance assessments are set out in full in each audit report.

**LEVELS OF ASSURANCE PROVIDED**

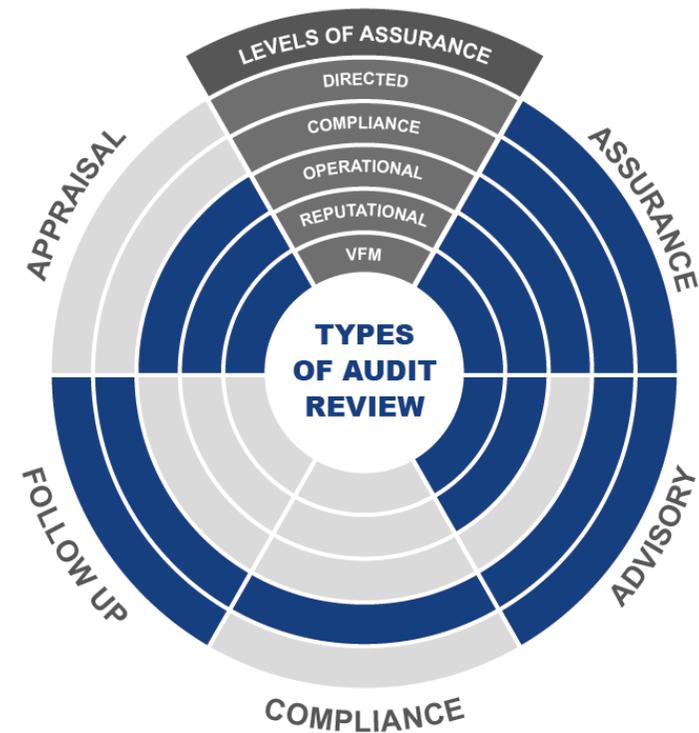


**Benchmarking**

Where a similar review is carried out at a number of our clients we will subsequent to the completion of the review at each of the clients we will where relevant provide a benchmarking and lessons learned digest. This digest will include Operational Effectiveness Matters for South Wales Fire and Rescue to consider.

**Types of Audit Review**

The Annual Plan includes a range of types of audit review. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review. The suite of audit reviews and how they individually and collectively enable us to inform our overall opinion on the adequacy and effectiveness of the governance, risk and control arrangements is set out in the assurance mapping diagram.



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**FORWARD WORK PROGRAMME FOR  
FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE 2020/21**

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
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	DCO  Contact Officer: Geraint Thomas	
As required	Performance Report	To scrutinise specific issues of performance identified and referred by Fire Authority	DCO  Contact Officer: Sally Chapman	
As required	Statistics Report	To scrutinise specific statistics or trends as identified and referred by Fire Authority	ACFO SD  Contact Officer: Sarah Watkins	
As required	WAO Reports	To advise Members of the conclusions of WAO Reports and to consider the implications for the Service	DCO  Contact Officer: Sally Chapman	
15 June 2020	Revenue Outturn	To advise on total revenue expenditure for the year against the set revenue budget following the year end and to explain variations	Treasurer/DCO  Contact Officer: Geraint Thomas	On Agenda
15 June 2020	Capital Outturn	To advise on total capital expenditure for the year against the set capital budget following the year end and to explain variations	Treasurer/DCO  Contact Officer: Geraint Thomas	On Agenda

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
15 June 2020	Draft Statement of Accounts	To advise Members of the content of the Draft Statement	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	On Agenda
21 Sept 2020	Health Check of Priority Actions and Q1 progress against the Statutory PI's	To scrutinise the issues in relation to each of the Priority Actions and to review what the Service has planned to do to address each issue in the current financial year, and review Q1 progress against each of the statutory PI's	DCO  Contact Officer: Sarah Watkins	
21 Sept 2020	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
21 Sept 2020	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
21 Sept 2020	Treasury Management Outturn Report	To advise on performance against the treasury management policy and strategy following financial year end	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	
21 Sept 2020	Medium Term Financial Strategy Update, Reserves Strategy and Revenue & Capital Budget Setting Report	To Update Members on the MTFs to inform and influence the 2021/22 budget setting process to meet the Service's requirements for the following	Treasurer/DCO  Contact Officer: Chris Barton/	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
		financial year	Geraint Thomas	
23 Nov 2020	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
23 Nov 2020	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
23 Nov 2020	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	Treasurer/DCO  Contact Officer: Chris Barton/ Geraint Thomas	
23 Nov 2020	Audit & Plan Scheme Updates	To seek Members' views upon the progress of Audit & Plan Scheme Actions	DCO  Contact Officer: Sarah Watkins	
23 Nov 2020	Treasury Management Interim Report	To update Members on treasury management activity during the year to date	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	
15 March 2021	Treasury Management Strategy Report	To secure Members' approval to the adoption of the Treasury Management Strategy 2021/22	Treasurer  Contact Officer: Chris Barton/ Geraint Thomas	

<b>Expected Date of Report</b>	<b>Report Name</b>	<b>Purpose of Piece of Work</b>	<b>Lead Director/ Contact Officer</b>	<b>Progress</b>
15 March 2021	Health Check of Priority Actions and Q3 progress against the Statutory PI's	To scrutinise the issues in relation to each of the Priority Actions and to review what the Service has planned to do to address each issue in the current financial year, and review Q3 progress against each of the statutory PI's	DCO  Contact Officer: Sarah Watkins	
15 March 2021	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	Chair of FAPM, Chair of Scrutiny Group & DCO  Contact Officer: Sally Chapman	
15 March 2021	Revenue Monitor	To provide an update on revenue expenditure against the revenue budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
15 March 2021	Capital Monitor	To provide an update on capital expenditure against the capital budget for the year	Treasurer/DCO  Contact Officer: Geraint Thomas	
15 March 2021	Internal Audit Programme	To outline the planned internal audit coverage for the financial year and to seek comment and approval	DCO  Contact Officer: Sally Chapman/ Geraint Thomas	
15 March 2021	Internal Audit Annual Report	To provide an opinion on the adequacy and effectiveness of risk management, control and governance processes	DCO  Contact Officer:	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
		based on the internal audit work undertaken during the financial year. This will support the statement of internal control.	Sally Chapman/ Geraint Thomas	
15 March 202	Corporate (Strategic) Risk Register	To seek Members' views upon the Corporate (Operational) Risk Register	DCO  Contact Officer: Sarah Watkins	
2 March 2020	Register of Gifts and Hospitality	To advise Members of gifts and hospitality accepted and declined by Members and Officers during the year	DCO  Contact Officer: Sally Chapman	

Sally Chapman - DCO  
Dewi Rose - ACFO Service Delivery  
Chris Barton - Treasurer

Geraint Thomas - Head of Finance & Procurement  
Andrew Jones - Head of Human Resources  
Sarah Watkins - Head of Corporate Support

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## 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 both verbally and in writing declare any personal and/or prejudicial interests 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:
  - Finance Audit & Performance Management Meeting held on 2 March 2020 3
5. Revenue Outturn 2019/20 9
6. Capital Outturn 2019/20 25
7. Statement of Accounts 2019/20 33
8. Internal Audit Report 133
9. Internal Auditors Annual Report Year Ending 31 March 2020 159
10. Internal Audit Annual Plan 2020/2021 167
11. Forward Work Programme 2020-21 183
12. To consider any items of business that the Chairperson deems urgent (Part 1 or 2) 189