

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

FIRE & RESCUE AUTHORITY SUMMONS

SOUTH WALES FIRE & RESCUE AUTHORITY

You are required to attend a meeting of the South Wales Fire & Rescue Authority **to be held on StarLeaf - Access Code: 44827 35819** on **Monday, 28 September 2020 at 1030 hours.**

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

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

A G E N D A

1. Apologies for Absence
2. Declarations of Interest

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

3. Chairperson's Announcements
4. To receive the minutes of;

- Fire and Rescue Authority Meeting held on 13 July 2020 5
- HR and Equalities meeting held on 24 February 2020 15
- FAPM Meeting held on 15 June 2020 23

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Signature of Proper Officer:



MEMBERSHIP

Councillors:

W	Hodgins	Blaenau Gwent
R	Shaw	Bridgend
D	White	Bridgend
D T	Davies	Caerphilly
C	Elsbury	Caerphilly
A	Hussey	Caerphilly
D	Ali	Cardiff
S	Ebrahim	Cardiff
A	Lister	Cardiff
D	Naughton	Cardiff
J	Williams	Cardiff
M	Colbran	Merthyr Tydfil
L	Brown	Monmouthshire
V	Smith	Monmouthshire
M	Spencer	Newport
H	Thomas	Newport
S	Bradwick	Rhondda Cynon Taff
J	Harries	Rhondda Cynon Taff
S	Pickering	Rhondda Cynon Taff
A	Roberts	Rhondda Cynon Taff
S	Evans	Torfaen
A	Jones	Torfaen
P	Drake	Vale of Glamorgan
H	Jarvie	Vale of Glamorgan

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SOUTH WALES FIRE & RESCUE AUTHORITY

**MINUTES OF THE FIRE & RESCUE AUTHORITY MEETING
HELD ON MONDAY, 13 JULY 2020 AT 1030 HOURS
VIA STARLEAF**

13. PRESENT:

Councillor	Arrived	Left	Authority
D T Davies (Chair)			Caerphilly
S Bradwick			Rhondda Cynon Taf
D Ali			Cardiff
L Brown			Monmouthshire
M Colbran	10.38		Merthyr Tydfil
P Drake			Vale of Glamorgan
S Evans			Torfaen
A Hussey			Caerphilly
H Jarvie		12:05	Vale of Glamorgan
A Jones			Torfaen
D Naughton			Cardiff
A Roberts		11:55	Rhondda Cynon Taf
V Smith			Monmouthshire
M Spencer			Newport
H Thomas			Newport
S Ebrahim			Cardiff
A Lister			Cardiff
D White	10.56		Bridgend
R Shaw		12:00	Bridgend
W Hodgins		12:00	Blaenau Gwent

APOLOGIES:

J Williams	Cardiff
J Harries	Rhondda Cynon Taf
S Pickering	Rhondda Cynon Taf
C Elsbury	Caerphilly

OFFICERS PRESENT: CFO H Jakeway; DCO S Chapman – Monitoring Officer; Mr C Barton – Treasurer; ACO A Reed – Director of People Services; ACFO R Prendergast – Director Technical Services; ACFO Dewi Rose – Director Service Delivery, G Thomas, Head of Finance & Procurement; Sarah Watkins – Head of Corporate Support

14. DECLARATION OF INTEREST

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

On behalf of Senior Officers, the Deputy Chief Officer declared an interest in Agenda Item 6.iv: SWFRA Vehicle Lease Scheme, advising that with the exception of the Treasurer and the minute taker (who do not have the option to be part of the Scheme), officers will be required to leave the virtual meeting for this item.

It was agreed that this agenda item be moved to the end of the agenda.

15. CHAIR'S ANNOUNCEMENTS

Passing of firefighter Ian Groves

It is with sadness that the Chair announced the passing of Firefighter Ian Groves of Usk Fire Station on Saturday 4th July following a short illness. Our thoughts are with his family, friends and colleagues at this time. The crew at Usk are providing support to Ian's family at this sad and difficult time. He advised that condolences from the Fire & Rescue Authority will be sent to his family. A minute's silence was held.

Meeting with Deputy Minister

The Chair advised that he and the Chief fire Officer met with the Deputy Minister on the 25th June. They discussed how the Service is responding to the national health emergency of Covid19, the role of the firefighter and the Deputy Minister's ambition for firefighters in Wales to undertake medical calls with the ambulance Service, which she made very clear at the start of the year, and building safety and changes to the Fire Safety Order following the tragedy of Grenfell Towers.

The Chief Fire Officer advised that Welsh Government have issued a Position Statement in relation to Building Safety, advising of their intention to bring forward a White Paper for consultation by the end of this Assembly Term, the analysis of this consultation will be available to inform any new Government bringing forward primary legislation in this important area. He advised that although a lot of work has taken place over the three years since Grenfell, there still nine premises within South Wales that still have cladding that does not comply.

Meeting with NJC Regards Grey Book Pay

The date for the national pay award for grey book personnel is the 1st July, however, no pay claim has been made by the FBU or pay offer from the National Employers, although the FBU have stated that firefighters' pay over the period of austerity has fallen behind by over £4,000. The Chief Fire Officer virtually attended an engagement event with the national employers to gauge budget impacts on fire & rescue authorities. The report will be circulated to Members when made available.

The Service and Covid19

The Chair advised of a message that will be circulated to staff, as follows: As we know the world today looks different from what it did some 4 months ago. On behalf of the Authority I would like to thank each and every person in our Service for their outstanding professionalism and dedication. We have seen low absence rates across our Service and long may this continue, we have been able to maintain our excellent operational response in very difficult and demanding environment. The team work we have is second to none, thank you from all us.

16. MINUTES OF PREVIOUS MEETINGS

The minutes of the Fire & Rescue Authority held on 10 February 2020 were received and accepted as a true record, with the slight amendment of Monmouth to Monmouthshire.

The minutes of the Fire & Rescue Authority Annual General Meeting held on 8 June 2020 were received and accepted as a true record.

The minutes of the Audit & Performance Management Committee held on 25 November 2019 were received and accepted as a true record.

The minutes of the HR and Equalities Committee held 11 November 2019 were received and accepted as a true record.

The minutes of the Local Pension Board Committee held on 20 January 2020 were received and accepted as a true record.

The minutes of the Audit & Performance Management Committee held 2 March 2020 were received and accepted as a true record.

17. UPDATE ON ACTIONS

The Deputy Chief Officer advised that all outstanding actions had been completed, but noted that although the Strategic Performance Indicator Targets 2020/21 were published in accordance with the timeline, they will require reviewing in light of COVID.

18. REPORTS FOR DECISION

18.1 RATIFICATION OF EMERGENCY DECISIONS

The Deputy Chief Officer advised that, as Members will recall, the lockdown arising from COVID-19 resulted in the Fire & Rescue Authority being unable to meet for a period of time until requisite regulations and a virtual meeting infrastructure was in place to facilitate virtual Member meetings. As a

consequence, a number of key decisions had to be taken and these were done under the emergency powers delegated to the Chief and Deputy Chief Officer following Member authorisation obtained by email.

Formal Ratification is required for five key decisions taken by Members since the outbreak of COVID-19.

RESOLVED THAT

Members resolved to ratify the following decisions:

- 18.1.1 Authorisation of emergency delegated powers to the Chief and Deputy Chief Officer as detailed in Appendix 1
- 18.1.2 Approval of the Authority's Strategic Equality Plan as detailed in Appendix 2.
- 18.1.3 Approval of the Authority's Pay Policy as detailed in Appendix 3.
- 18.1.4 Approval of the firefighter pension discretions as detailed in Appendix 4.
- 18.1.5 Approval of the report of those charged with governance as detailed in Appendix 5.

18.2 TREASURY MANAGEMENT STRATEGY 2020/21

The Treasurer presented the Treasury Management Strategy 2020/21.

He drew Members attention to the increase from £42m to £50m in the Authority's forward projections for borrowing, this reflects the approved capital programme. Also the ratio of financing costs of revenue streams equates to 6%-7% over the period, which is broadly in line with other public sector organisations.

Councillor V Smith queried the amount of years left to pay for the PFI on the Training Centre. The Treasurer confirmed that the Scheme was payable over a 25 year period, of which 11 years remain. Once payment ends, the Authority will retain ownership, although it was noted that there will then be associated costs, such as day to day running.

Councillor V Smith also queried the new Government bonds. The Treasurer confirmed this is just a number of avenues the Government use, funds are still being received from the same source.

Councillor D White wished to abstain from the vote, as he missed the first half of the Agenda Item.

RESOLVED THAT

Members approved:

- The Treasury Management Strategy Statement (TMSS)
- Capital prudential indicators and Minimum Revenue Provision (MRP) policy
- Borrowing policy and treasury indicators/limits
- Annual Investment Strategy
- The Treasurer to update strategies and policies as necessary throughout the year

18.3 CARBON REDUCTION PLAN 2020-2023

The Head of Finance and Procurement advised that the Environment Act (Wales) 2016, places a duty on the Welsh Government to ensure net Welsh emissions are 80% lower than the baseline by 2050. The Welsh Government has announced the ambition for the Welsh Public Sector to be carbon neutral by 2030.

The Head of Finance and Procurement gave a brief presentation to Members, and advised of ways the organisation plans to reduce carbon emissions by 25% by 2023, including significantly decreasing the use of plastics, looking at the property portfolio, decrease of travel, greater use of technology, looking at waste streams and working with staff to change behaviours.

In relation to plastics for Community Safety items such as fire alarms, he noted that suppliers will be worked with to look at alternatives; this will form part of the longer term plan.

He confirmed a reduction in the use of gas and electricity has already been seen, especially at FSHQ due to the installation of LED lighting and building management system.

He confirmed that due to COVID, the majority of staff members now have the facility to work from home, although this needs to be in line with the support functions for Operational staff.

The Deputy Chief Fire Officer advised that as Members now have fire service email addresses, the possibility of Members receiving their payslips electronically will be progressed with Payroll.

Councillor S Bradwick abstained from the vote, due to technical problems with his Starleaf connection and having missed elements of the debate on this item.

RESOLVED THAT

Members resolved to approve and adopt the Carbon Reduction Plan 2020-2023 attached at Appendix 1 to the report.

18.4 REPORT ON DRAFT PROPOSED STRATEGIC THEMES AND OBJECTIVES 2021/2022

The Deputy Chief Officer advised of the draft proposed strategic themes and objectives for 2021/2022 and requested views from Members.

Councillor L Brown suggested changes to 'Responding to your Emergency: respond effectively when you need us' to reflect COVID.

The Deputy Chief Officer will note for consultation feedback.

RESOLVED THAT

Members resolved to:

- 18.4.1 approve the proposed draft Strategic Themes and objectives for engagement events and publication in the "consultation document" – Stage 2 of the Annual Improvement Plan on the SWFRS internet site by 31 October 2020; and
- 18.4.2 Approve delegation to the Deputy Chief Officer and Head of Corporate Support to review and refine the draft Strategic Themes and Objectives as necessary for the public consultation.

19. REPORTS FOR INFORMATION

19.1 FINAL DETERMINATION FROM THE PENSIONS OMBUDSMAN IN RELATION TO THE PROTECTED PENSION AGE (PPA): FIRE AUTHORITY LIABILITY

The Director of People Services updated Members on the final determination made by the Pensions Ombudsman in relation to the Protected Pension Age (PPA) for three individuals who were previously employed by the Service noting that the compensation payment of £2,000 has been made.

Councillor W Hodgins queried whether an individual who was employed as both a Wholetime firefighter and On-Call firefighter would need to retire from both.

The Deputy Chief Officer confirmed that in this instance, the individuals were employed on two different contracts, and only chose to retire from one contract, whilst maintaining the other.

The Director of Human Resources confirmed that approximately 30% of operational staff have dual contracts. In relation to an employee retaining the benefit of PPA if they have a break in employment of at least one month and the re-employment being materially different, she confirmed that this falls under HMRC regulations.

Councillor R Shaw queried what resources are in place to ensure the Authority does not find themselves in this position in the future.

The Director of People Services advised that in house measures have been put in place and the Local Pension Board has been created, also the training strategy is being refreshed to ensure this does not happen again.

The Chair confirmed that whilst sympathy was always with the individuals, legal, financial and audit advice at the time indicated it would not be appropriate to make the payments and that Members had no option from a legal standpoint.

RESOLVED THAT

Members noted the final determination from the Pensions Ombudsman and arrangements being made to pay the tax liability for the three individuals.

19.2 STRATEGIC RISK REGISTER REPORT QUARTER 4 2019/20

The Deputy Chief Officer presented the Strategic Risk Register Report, Quarter 4, for 2019/20.

RESOLVED THAT

Members noted the contents of the report

19.3 END OF YEAR HEALTH CHECK ON PERFORMANCE AND STRATEGIC OBJECTIVES 2019/20

The Deputy Chief Officer presented the report which gives assurances to the Members of the Fire & Rescue Authority and senior management within South Wales Fire and Rescue Service on progress towards achievement of the Strategic Objectives and performance of the Strategic Performance Indicators for the period 01 April 2019 – 31 March 2020.

The report included an overall summary of the themes and actions, as well individual summaries for each Member Authority.

Members were advised that they will receive individual pictograms for their own authorities for circulation.

RESOLVED THAT

Members reviewed the performance details and statistical data for the period 01 April 2019 – 31 March 2020 contained within the report.

19.4 WELSH LANGUAGE STANDARDS UPDATE – JUNE 2020

The Director of People Services provided members with an overview of the current position with regards to meeting the legal requirements contained within the Welsh Language Standards Compliance Notice issued to the Fire and Rescue Authority by the Welsh Language Commissioner on 20 September 2016.

Attention was drawn to the one standard within the Red category, in relation to the use of social media and not treating the Welsh language less favourably than the English language. She assured Members that the Service strives to publish all social media bilingually, but there are times when, in the event of urgent items, this is not possible due to timelines. The Deputy Chief Officer noted that the issue mainly lies with the social media accounts for stations as they are dynamic with their social media presence within their communities. She advised that an exemption was sought for station accounts with the Welsh Language Commissioner but this was refused.

A bespoke monitoring framework has been introduced to ensure the Authority has a robust mechanism to evaluate its compliance with the Welsh Language Standards.

RESOLVED THAT

Members noted the information contained within the report.

19.4 FORWARD WORK PROGRAMME FOR FIRE & RESCUE AUTHORITY 2020/21

The Deputy Chief Officer presented the Forward Work Programme for 2020/21.

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

There were no items of business deemed urgent by the Chair.

South Wales Fire and Rescue Service officers left the meeting, as they had expressed an interest in the next agenda item.

21. SWFRS VEHICLE LEASE SCHEME

The Treasurer presented the report which advised of the recent significant changes in the taxation regulations regarding the provision of Emergency Response Vehicles, and the necessary changes required to the South Wales Fire and Rescue Authority Vehicle Lease Scheme to ensure its continued tax compliance and sustainability.

The report identified the necessary changes to ensure the continued fairness, transparency and sustainability of the scheme, but also to address concerns raised by Representative Bodies.

The Treasurer gave the background to the Scheme which has been in place for 20 years and outlined in detail the changes that were required to ensure the Scheme is sustainable and cost effective.

Taking into account all the recommended changes, the total increase in costs would be in the region of £86k offset by savings of £24k making a net cost of £62k. The actual impact on the Service's budget will be slightly less as there are a number of seconded officers whose costs are met by other agencies currently.

Councillor R Shaw queried whether individuals will be encouraged to choose lower emission vehicles to aid with carbon reduction. The Treasurer confirmed that incentives are already in place, but due to the requirement of individuals to respond to emergency incidents, there is limited scope to use electric vehicles currently. Going forward, research will be undertaken to consider how this can be included within future provisions.

RESOLVED THAT

Members agreed that:

- 21.1 From the 1st September 2020, the minimum individual scheme member contribution criteria of £804 per annum be removed.
- 21.2. From the 1st September 2020, existing freedom of movement and on call business commute payments for responding officers of Station Manager and Group Manager roles be removed. This will be compensated for by increasing the Employer contribution by £380 p.a. for the group of employees affected.

- 21.3. From the 1st September 2020, individual employee lease contributions will be assessed by reference to the specific vehicle's annual lease cost to the Service.
- 21.4. From 1st September 2020, the Employer's contribution for each individual on the Lease Scheme be increased by £500 p.a. for all lease vehicle holders other than for Area Managers, Directors and Brigade Managers.
- 21.5. From April 2021, Employer contribution rates across the whole lease scheme are uplifted in line with NJC grey book salary increases to avoid the need for future one off increases in Employer contribution levels. The Employer contribution rate which is in force at the date a lease agreement is signed will remain unchanged for the full term of that lease unless the individual's terms and conditions change.

SOUTH WALES FIRE & RESCUE AUTHORITY
MINUTES OF THE HR & EQUALITIES MEETING
HELD ON MONDAY, 24 FEBRUARY, 2020 AT
SOUTH WALES FIRE & RESCUE SERVICE HEADQUARTERS

30. PRESENT:

Councillor	Left	Authority
S Pickering (Chair)		Rhondda Cynon Taff
M Colbran		Merthyr Tydfil
P Drake		Vale of Glamorgan
S Evans		Torfaen
A Hussey		Caerphilly
H Jarvie		Vale of Glamorgan
A Lister		Cardiff
A Roberts		Rhondda Cynon Taff
R Shaw		Bridgend
H Thomas		Newport

APOLOGIES:

D Ali (Deputy Chair)	Cardiff
C Elsbury	Caerphilly
J Holt	Blaenau Gwent
A Jones	Torfaen

ABSENT:

D Naughton	Cardiff
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OFFICERS PRESENT:- ACO A Reed – Director of People Services, Mr A Jones – Head of HR, AM I Greenman – Head of Training & Development, Ms K Jeal – HR Manager, Firefighter D Crews – Mental Health & Wellbeing Representative

31. DECLARATIONS OF INTEREST

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

32. CHAIR'S ANNOUNCEMENTS

- **WELCOME ADDRESS TO NEW MEMBER**

The Chair extended a warm welcome to new Member, Councillor Lister.

- **THANK YOU ADDRESS**

Due to the recent severe flooding incidents in the South Wales area, on behalf of Members the Chair took the opportunity to thank all operational personnel for their professionalism, kindness, and calmness in helping local people to deal with the tragic flooding of many residential properties, and businesses.

- **CHANGE TO AGENDA ORDER**

Following a request by the Chair, Members agreed to note that the order of the formal agenda would be slightly amended with items 9, 10, and 15 being brought forward.

33. MINUTES OF PREVIOUS MEETING

The minutes of the previous HR & Equalities meeting held on 11 November, 2019, were received and accepted as a true record of proceedings.

34. REVIEW OF FIREFIGHTER PENSION SCHEMES DISCRETIONS – (FIREFIGHTER PENSION SCHEME 1992, NEW FIREFIGHTER PENSION SCHEME 2006/2007, 2015 FIRE PENSION SCHEME)

The ACO People Services informed Members that it was a requirement of the Firefighter Pension Schemes Regulations that participating Authorities must explain and publish how they will apply discretionary elements for Scheme members. Once approved by this Committee, and also the Fire Authority, these discretions would need to be lodged with the Service's Administrators for future reference and application.

The report and attached appendices explained the areas and issues that needed to be considered and approved. It also identified the significant areas and made recommendations for

Members to consider and to make determinations thereon for the Fire & Rescue Authority to consider.

RESOLVED THAT

34.1 Members agreed to approve the new Statements of Policy for all three Firefighter Pension Schemes attached to the report at Appendix 1, 2 and 3.

34.2 Once approved by the Fire Authority on 30 March, it was agreed that Members would provide Rhondda Cynon Taff Pension Fund Administrators with a copy of the approved policy statements.

35. TRAINING & DEVELOPMENT DEPARTMENT – HIGH RISE TRAINING UPDATE

The Head of Training & Development presented a report which provided Members with an updated position on the ongoing High Rise Training undertaken by South Wales Fire & Rescue Service to date.

RESOLVED THAT

Following a lengthy question and answer session on a number of issues relating to High Rise incidents, e.g. the 'Stay Put' procedure, Members agreed to note the contents of the report.

36. MENTAL HEALTH & WELLBEING – PROJECT UPDATE

The Mental Health & Wellbeing representative reminded Members that in November 2019 they had received a report which outlined the progress made in relation to the Services mental health and wellbeing provision from April 2018 to March 2019, which also included a summary of the ongoing health and wellbeing support provided by the Service, and an overview of the new activities to be undertaken from April 2019 to March 2020.

The presented report focused specifically on the progress made in relation to the project on mental health and wellbeing. The report was supplemented by a short presentation at the meeting, outlining the progress that had been made.

RESOLVED THAT

Following a question and answer session, and lengthy debate on the difficulties of encouraging individuals to come forward to report mental health issues, Members agreed to note the content of the report and presentation.

37. SOUTH WALES FIRE & RESCUE AUTHORITY – ANNUAL PAY POLICY STATEMENT 2020/2021

The ACO People Services informed Members that South Wales Fire & Rescue Authority were required to publish a Pay Policy Statement for each financial year, which provided information for the following financial year.

The Fire & Rescue Authority at their meeting held on 6 February, 2012, adopted and published its first Pay Policy Statement. The Fire & Rescue Authority also determined that the HR & Equalities Committee should review the Pay Policy Statement and report to the full Committee. In 2014 the Welsh Government issued new guidelines with further amendments which determined the contents of the Pay Policy. The 2020/2021 Pay Policy Statement had been drafted for Members.

RESOLVED THAT

37.1 Members agreed to review South Wales Fire & Rescue Authority's Pay Policy Statement for 2020/2021.

37.2 Members approved the 2020/2021 Pay Policy Statement to be published by 31 March, 2020.

38. WELSH LANGUAGE STANDARDS UPDATE – JANUARY 2020

The Head of HR informed Members that the presented report provided an overview of the current position with regards to meeting the legal requirements contained within the Welsh Language Standards Compliance Notice issued to the Fire & Rescue Authority by the Welsh Language Commissioner on 30 September, 2016.

RESOLVED THAT

Members agreed to note the information contained within the report.

39. FIREFIGHTER PENSION SCHEMES – WALES GOVERNMENT CIRCULARS 2019/2020

The ACO People Services informed Members that under the terms of the Public Services Pension Act 2013 (PSPA 2013), the Fire & Rescue Authority was the recognised Scheme Manager for Firefighters Pension Schemes.

The Welsh Government issues regular communications to all Chief Fire Officers, Chairs, and Clerks of Fire & Rescue Authorities, electronically in a standard circular template. These emails and circulars can cover a variety of areas, including all aspects of Firefighters Pension Schemes, and have to be noted or actioned as appropriate.

RESOLVED THAT

39.1 Members agreed to accept the Welsh Government Firefighters' Pension Scheme Circulars and emails, that had been received in the 2019/2020 year to date.

39.2 Members agreed to note the actions that had been implemented for each of the circulars.

40. SOUTH WALES FIRE & RESCUE SERVICE PEOPLE PLAN

The ACO People Services reminded Members that at the July 2019, HR & Equalities meeting they reviewed the outline proposal for the South Wales Fire & Rescue Service (SWFRS) People Plan. Since then the Plan had been developed further and the draft document was presented to the Committee for review and comment.

Members were made aware that the All Wales People & Organisational Development Strategy provided the foundations for the work the Service had done to develop the People Plan. The

draft Plan would enable South Wales Fire & Rescue Service to work within the high level direction agreed in the All Wales Strategy but to tailor approaches where necessary, to reflect the individual needs of the organisation.

RESOLVED THAT

40.1 Members agreed to note the All Wales People & Organisational Development Strategy attached to the report at Appendix 1.

40.2 Following a review and comments, Members agreed to accept the draft South Wales Fire & Rescue Service People Plan attached to the report at Appendix 2.

40.3 With reference to domestic abuse incidents, Officers agreed to include 'men' as well as women, and would refer Members comments back to the 'All Wales' group.

41. GENDER PAY GAP – BROADER PERSPECTIVE

The ACO People Services reminded Members that in November 2019 they approved the South Wales Fire & Rescue Service (SWFRS) Gender Pay Gap Statement. The statement had since been published on the Service's website and that of GOV.UK. Members requested a set of comparison data from other Fire & Rescue Services in Wales, and across the UK.

RESOLVED THAT

41.1 Members agreed to note the comparison data at Appendix 1 attached to the report for information.

41.2 Following discussion on the comparison data, Officers agreed to explore what intervention Avon Fire & Rescue Service had made, and to provide Members with a further update report in due course.

42. STRATEGIC EQUALITY PLAN (SEP) – 2020-2025

The Head of HR informed Members that the Service's current Strategic Equality Plan (SEP) was time-limited to 31 March, 2020, with a new Plan being required under the Equality Act (2010).

The purpose of the report was to present to Members of the HR & Equalities Committee the draft Strategic Equality Plan 2020-2025.

RESOLVED THAT

Members agreed to note the content of the report.

43. ANNUAL EQUALITY REPORT FOR THE PERIOD 1 APRIL 2018 TO 31 MARCH 2019

The Head of HR informed Members that South Wales Fire & Rescue Service was required under The Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 to publish an Annual Equality Report for the period 1 April to 31 March every year.

The Annual Equality Report met the Service's legal duty to publish a report that demonstrated the organisation's progress and compliance against the General Equality Duty and Wales Specific Equality Duties, and was focused primarily on data as well as what the Service had done during the period 1 April 2018 to 31 March 2019.

RESOLVED THAT

Members agreed to note the content of the report.

44. ESTABLISHMENT STRUCTURE UPDATE – JANUARY 2020

The Head of HR presented a report which provided Members with an overview of the current position with regard to the Service's staffing structure following the agreement at the Fire & Rescue Authority meeting in September 2018, to approve a restructure to meet future challenges and demands.

RESOLVED THAT

Members agreed to note the content of the report.

45. FORWARD WORK PROGRAMME 2019/2020

The ACO People Services presented the Forward Work Programme for 2019/2020, and confirmed that it was now complete.

RESOLVED THAT

Members accepted the Forward Work Programme for 2019/2020, and noted that all reports had been presented.

46. TO CONSIDER ANY ITEMS OF BUSINESS THAT THE CHAIR DEEMS URGENT (PART 1 or 2)

There were no items of urgent business.

RETIREMENT OF THE HEAD OF TRAINING & DEVELOPMENT

As it was the Head of Training's last meeting due to his retirement on 1 May, 2020, after 34 years, on behalf of Members the Chair took the opportunity to thank him for all his hard work, dedication and commitment to the Service. She wished him a long, lengthy, and happy retirement, and thanked him for all his loyal support and professionalism.

The Head of Training responded by thanking Members for their kind words.

SOUTH WALES FIRE & RESCUE SERVICE

MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE MEETING HELD ON MONDAY, 15 JUNE 2020 AT 10:30HRS VIA STARLEAF

01. PRESENT

Councillor	Arrived	Left
S Evans (Chair)		Torfaen
P Drake		Vale of Glamorgan
M Colbran		Merthyr Tydfil
D White		Bridgend
V Smith		Monmouthshire
A Hussey		Caerphilly
M Spencer		Newport
J Harries		Rhondda Cynon Taf
W Hodgins		Blaenau Gwent
T Davies		Caerphilly
S Bradwick		Rhondda Cynon Taf

APOLOGIES

S Ebrahim	Cardiff
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OFFICERS PRESENT: Mrs S Chapman – Deputy Chief & Monitoring Officer, Mr C Barton – Treasurer, Mr G Thomas – Head of Finance & Procurement, Mr N Selwyn – Audit Wales, Ms A Butler – Audit Wales, Mr S Gourlay – TIAA

02. DECLARATIONS OF INTEREST

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

Councillor W Hodgins advised that he is the owner of a transport company that sub contracts to a Service contractor, delivering goods to Cardiff Gate Training Centre, and queried whether this would need to be declared.

The Deputy Chief Officer confirmed that this will need to be entered onto the Register of Interests and the sub-contractor database held within Finance, but advised that this will have no effect on this meeting. The Head of Finance & Procurement to progress with Councillor W Hodgins

RESOLVED: The Head of Finance & Procurement to provide relevant forms to Councillor W Hodgins for inclusion within the Register of Interests and the sub-contractor database.

03. CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

04. MINUTES OF PREVIOUS MEETING

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

- Finance, Audit & Performance Management meeting held on 2 March 2010.

05. REVENUE OUTTURN 2019/20

The Head of Finance & Procurement provided details of the Revenue Outturn for 2019/20, and summarised the main points within the report, these being an increase in employee costs, additional energy costs, and reduced activity in some departments such as Training, and Workshops.

Regards energy costs, he confirmed costs are based on estimates, so may be subject to back credits which would then show a slight underspend.

He confirmed that a big impact on revenue outturn is costs for Home Safety equipment. The grant received from Welsh Government is below what is required, but thanks to a decision made by the Fire Authority we are able to continue to distribute Home Safety equipment. He also added that the other two Welsh fire and rescue services reported an underspend in this area, so Welsh Government supports our overspend from their underspends.

Councillors V Smith commended staff on the amount of work and information provided within the reports, the Chair seconded that.

Relating to a query from Councillor V Smith regards the energy saving from our boiler management system at stations and whether there has been a saving, the Head of Finance & Procurement advised that savings had not yet been calculated, but added that LED lighting had been installed at HQ at a cost of £18,000 which is saving approximately £50,000 a year.

He drew Members attention to Appendix 3, which details Authority Reserves which shows that reserves are being earmarked and invested. He also asked members to be aware of £47,000 that has been drawn from the management reserve.

RESOLVED THAT

Members noted the outturn position and net revenue deficit and use of usable reserves.

06. CAPITAL OUTTURN 2019/20

The Head of Finance & Procurement provided details of the Capital Outturn for 2019/20.

He reported a total available budget equating to £9.7m, with the outturn and slippage for the year as £6.6 million and £3.4m respectively. In summary, since previous reporting the projected spend has decreased by £0.6m while slippage has increased by £0.5m.

He reported some delays due to COVID-19, e.g., the refurbishment of Pontypridd Fire Station, delivery of vehicles and equipment, and the BA project where a decision was made that this would now be run in-house resulting in a £64,000 saving.

He confirmed that figures are being monitored regularly and will be reported within the Capital Monitoring Report.

RESOLVED THAT

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

07. STATEMENT OF ACCOUNTS 2019/20

The Treasurer presented the Statement of Accounts for 2019/20, adding that they are subject to the audit process.

He advised there had been some challenges due to COVID-19 in the preparation of the accounts, but staff have worked tirelessly through this difficult period to complete on time.

A number of risks have been identified by auditors mainly relating to timing which have now been addressed. There were no significant measures imposed to achieve deadlines, and the process was followed as usual.

Ms A Butler, Audit Wales advised that due to COVID-19 auditing is currently being undertaken remotely. It was envisaged that sign off would be achieved by end of July, but as members of the public are unable to scrutinise the accounts (as is the statutory requirement), sign off will need to be deferred to September, or such time as restrictions are eased. Sally Chapman confirmed that Welsh Government do review legislative requirements that are proving

challenging due to Covid and may take a view in due course if personal inspection becomes impossible to safely achieve.

Mr N Selwyn, Audit Wales presented the letter from the Auditor General, which gives the detail of the Audit Wales work programme and how it will be achieved during COVID-19. The letter advised that, although the Annual Plan for 2020-21 has been published, it is recognised that much of the performance audit work programme described within it will now need to be re-shaped or deferred. One exception to this is the Auditor General's national report under the Well-Being of Future Generations (Wales) Act 2015, which he is required by statute to lay by 5 May 2020.

The letter also describes real-time audit work in respect of COVID-19 that is planned, where his intention is to deploy the capability and capacity of Audit Wales for the good of the wider public sector, specifically providing real time capture and sharing of learning and experience across audited bodies to allow bodies to learn from each other going forward.

RESOLVED:

Members noted the contents of the Statement of Accounts 2019/20.

08. INTERNAL AUDIT REPORT

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

RESOLVED THAT

Members noted the internal recommendations and work completed to date on the Internal Audit Annual Plan.

09. INTERNAL AUDITORS ANNUAL REPORT YEAR ENDING 31 MARCH 2020

The Internal Auditor presented the Annual Report for year ending 31 March 2020 and confirmed that, based on the evidence provided he is able to draw a reasonable conclusion as to the adequacy and effectiveness of the South Wales Fire and Rescue Service's risk management, control and governance processes.

RESOLVED THAT

Members noted the work and overall opinion of the Internal Auditor for the financial year 2019/2020.

10. INTERNAL AUDIT ANNUAL PLAN 2020/2021

The Internal Auditor presented the proposed Internal Audit Annual Plan 2020/2021 for Members' approval. He advised that the Plan had been drafted prior to COVID-19, and it is the intention to reconsider after restrictions have been lifted.

RESOLVED THAT

Members approved the Internal Audit Annual Plan for 2020/2021.

11. 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.

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

12.01 Social Distancing Measures at Fire Stations

Councillor W Hodgins queried social distancing measures at fire stations and the wellbeing of staff, particularly those at community stations and joint emergency services stations.

The Deputy Chief Officer advised that Welsh Government regulations and guidance state the 2 metre rule be enforced wherever reasonably practicable in the workplace, although it is acknowledged that this is not always possible, particularly within fire and rescue services. Members were assured that this is being managed appropriately but sensitively by the Station Commanders.

12.02 Expenditure during COVID-19

Councillor D White queried whether Members could receive a briefing detailing where funds are being spent during COVID-19.

The Deputy Chief Officer advised that all Covid related expenditure is being tracked by the Service and that figures have been provided to Welsh Government on their request and is currently estimated at £250,000. She added that it is uncertain at present if Welsh Government will cover these expenses.

The Head of Finance & Procurement advised that expenditure during the Recovery phases is also being captured and will be reported to Members and Welsh Government.

RESOLVED:

Details of expenditure during COVID-19 be included in future revenue monitoring reports.

12.03 Emergency Services Network (ESN)

Councillor V Smith queried the impact new 5G masts was having on the implementation of the new ESN network and if this is causing any delays. The Deputy Chief Officer advised that the overall project has been delayed, but not as a consequence of the 5G masts. The contract and agreed timelines for completion were awarded prior to current press coverage on 5G.

It was agreed that this issue be expanded further within the Capital Monitoring Reports going forward.

RESOLVED

The Head of Finance & Procurement to include within the Capital Monitoring Reports going forward.

SOUTH WALES FIRE & RESCUE SERVICE

MINUTES OF THE FINANCE, AUDIT & PERFORMANCE MANAGEMENT COMMITTEE MEETING HELD ON MONDAY, 27 JULY 2020 AT 10:30HRS VIA STARLEAF

13. PRESENT

Councillor	Arrived	Left	
S Evans (Chair)			Torfaen
P Drake			Vale of Glamorgan
M Colbran			Merthyr Tydfil
D White			Bridgend
V Smith			Monmouthshire
A Hussey			Caerphilly
M Spencer			Newport
J Harries			Rhondda Cynon Taf
W Hodgins		11.24	Blaenau Gwent
T Davies		12:05	Caerphilly
S Ebrahim		12:05	Cardiff

APOLOGIES

S Bradwick Rhondda Cynon Taf

OFFICERS PRESENT: Mrs S Chapman – Deputy Chief Officer & Monitoring Officer, Mr C Barton – Treasurer, Mr G Thomas – Head of Finance & Procurement, Mr J Evans - Head of Risk Reduction, Mr O Jayne - Head of Business Fire Safety, Ms A Butler – Audit Wales, Mr S Gourlay – TIAA

14. DECLARATIONS OF INTEREST

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

Councillor W Hodgins advised that, as previously mentioned, he is the owner of a transport company that sub contracts to a Service contractor, delivering goods to Cardiff Gate Training Centre, and queried whether this would need to be declared.

The Deputy Chief Officer confirmed that this has now been entered onto the Register of Interests, Councillor Hodgins is not required to declare an interest going forward unless there is a paper on the agenda in relation to or closely related to this issue.

The Chair advised that he is required to report Licencing to the Torfaen PSB, and queried whether he is required to declare an interest.

The Deputy Chief Officer confirmed that as he is acting on behalf of his home authority and not the Fire Authority, he does not need to declare an interest as the Fire Authority is not responsible for licencing.

15. CHAIR'S ANNOUNCEMENTS

There were no announcements from the Chair.

16. MINUTES OF PREVIOUS MEETING

The following minutes were received and accepted as a true record of proceedings, with one minor change to the home authority of Councillor W Hodgins within the attendance.

- Finance, Audit & Performance Management meeting held on 15 June 2020.

The Treasurer wished to note that at Minute No. 07, the Statement of Accounts for 2019/20 were being delayed until September due to COVID and the inability of the public to inspect the documents. He confirmed that the Statement of Accounts is nearly complete, and the ISA260 will be signed off at a subsequent meeting.

17. CAPITAL MONITORING REPORT 2020/21

The Head of Finance & Procurement provided detail of the capital budget, transitions to date and the forecast year end position, also an update of the major changes affecting the capital budget since budget setting.

He added that it would be usual to present the Revenue Monitoring Report at the same time as the Capital Monitoring Report, but due to the ongoing work to the Statement of Accounts the Revenue Monitoring Report will be presented at the September meeting. He confirmed that the Capital Monitoring Report 2020/21 is being presented today as Members are required to make decisions in relation to the capital programme and slippages, as identified in Appendix 1 of the report.

He detailed the capital spending plans for the year and how they differ from the original budget and the slippages relating to water ladders, operational equipment, server and storage replacement and property, particularly the decision to demolish and relocate the drill tower at Pontypridd Fire Station, replacing with a steel tower. It was noted that alternative sites are still being

considered, should Pontypridd Station ever be relocated the drill tower can also be moved. Members were asked to consider the financial increase in this area.

At a request from Councillor V Smith, the Head of Finance and Procurement was able to confirm the water ladders had been purchased via a competitive tender process from a company called Emergency One.

Councillor T Davies queried whether there is an indication of timescales for the completion of the refurbishment of Pontypridd station as he feels it is important for the morale of the staff to complete.

The Head of Finance and Procurement confirmed that Phase 1 is complete (refurbishment to the 1st floor), Phase 2 is underway (refurbishment of the 2nd floor), and following approval of the budget by Members at this meeting, it is the intention to continue with works whilst the contractors are already on site.

RESOLVED THAT

Members:

- 17.01 noted the progress of the capital schemes,
- 17.02 approved the alternations identified at Appendix 1 and 2
- 17.03 noted the associated funding streams

18. INTERNAL AUDIT REPORT

Mr S Gourlay from TIAA updated Members upon progress being made against the Internal Audit Plan 2020/2021.

The areas of internal audit reviews within the Annual Plan were completed with two final reports being issued:

- **Strategic Control**, for which the review received a substantial level of assurance with no recommendations for improvement made
- **Communications**, for which the review received a substantial level of assurance with only one recommendation for improvement made.

The Summary Internal Controls Assurance (SICA) Report was also presented. This report provided Members with an update on the emerging Governance, Risk and Internal Control related issues and the progress of auditor work at South Wales Fire and Rescue Service as at 14 July 2020. He noted that the period covered by the summary controls assurance report was significantly impacted by the COVID pandemic.

Councillor S Evans queried whether the Service would be prepared in the event of a Cyber Attack. The Deputy Chief Officer confirmed that, once a year a

specialist company is tasked with creating a cyber-attack to test the systems. To date, the attacks have not been successful thus reassuring Members that the right level of protection is in place.

Councillor W Hodgins queried whether suppliers and contractors will now be required to bring their services back in line with procurement services.

The Head of Finance and Procurement confirmed that the Procurement Team have been working through the COVID pandemic, especially in relation to the purchase of PPE supplies. No issues have been encountered with suppliers.

RESOLVED THAT

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

19. UPDATE ON COVID-19 FINANCIAL IMPACTS

As requested at the last meeting, the Head of Finance and Procurement gave an update and breakdown of COVID-19 financial impacts as at 6th July 2020. The breakdown summarises revenue spend and budget commitments, but currently excludes capital spending. As costs become clear, they will be included in subsequent reporting.

Costs for salaries and overtime include personnel attending training sessions to support WAST. The Deputy Chief Officer confirmed that a number of personnel were called upon over the weekend to assist with driving for WAST, this is undertaken in their own time. It was noted that military assistance to WAST has now been withdrawn, this may be the reason why fire service personnel are now being called upon. The Deputy Chief Officer confirmed that costs are recouped when personnel are deployed.

Other increased expenditure includes the purchase of cleaning supplies and enhanced cleaning at all sites, as well as the provision of PPE such as face coverings. Also, a large portion of the expenditure relates to ICT equipment and agreements.

He confirmed that monthly submissions are being made to WLGA and Welsh Government with a view to recovering costs. Welsh Government are considering the submissions but have indicated that they will only cover 50% of ICT costs, and have requested that the Authority offset savings from lower activity levels such as less travel, subsistence, etc.

Councillor V Smith advised that whilst she finds Starleaf meetings just as productive as being in a room together, she does require hard copies of the

agenda and reports, and acknowledges that this will need to be considered going forward to align with the commitment to the carbon footprint.

Councillor T Davies advised that 50% of the COVID expenditure budget is a big factor and queried whether costs indicated are the full extent. He also expressed concern that Welsh Government COVID expenditure will be taken from funding already allocated to the Authority.

The Deputy Chief Officer confirmed that there are still costs being incurred, but nowhere near the level they were. Also, some funding has already been received from Welsh Government, and that the 50% funding received for ICT will have longer term benefits post Covid, hence the reduction in recovery rate.

RESOLVED:

Members noted the update and subjective breakdown of COVID-19 financial impacts as at 6th July 2020.

20. BUSINESS FIRE SAFETY ANNUAL SUMMARY REPORT 2019/20

The Head of Risk Reduction introduced the Business Fire Safety (BFS) Annual Summary Report 2019/20, advising that the highly qualified and competent staff within BFS provide support for healthcare, schools and businesses and play a key role in readdressing risk in South Wales.

The Head of BFS gave a presentation to Members raising awareness of the role of the BFS Safety department, and how the team contribute to Service Delivery and the Risk Reduction Department. Also covered within the presentation was how and why fire safety regulations have changed over the years, the structure and function of the BFS department and how BFS links to the Strategic Plan 2020/2030 & the Well Being and Future Generations Act 2015

The Head of BFS thanked Members for their unwavering support which has allowed BFS to react positively and quickly.

He advised that The Fire Authority through the BFS Department has responsibility for the enforcement of fire safety legislation in Non-Domestic Properties and it will carry out its fire safety enforcement activities with regard to the provisions of the Regulatory Reform (Fire Safety) Order 2005 ('the FSO'). The Authority will consider prosecution where for example, there is failure to comply with the fire safety duties imposed by the FSO. Effective prosecution forms a legitimate element of the South Wales Fire and Rescue Authority's Strategic Plan 2018 to 2023 to reduce the risk of death and injury in premises by enforcing fire safety law.

He further advised that BFS only report on the one Strategic Indicator: False Alarms Attended per 10,000 population, and one Local Indicator: Fire Alarm due to Apparatus per 1,000 non-domestic properties, with regards to Hospitals, Residential homes, Education premises in essence the non-domestic properties. Statistics are provided to Welsh Government, but there is no way of determining from these whether a difference is being made. BFS are therefore working with the Statistics Team to develop a suite of Performance Indicators to provide BFS with meaningful information in relation to understanding whether risk is being reduced.

Also covered within the presentation was the role of the Compliance Team, when Prohibition, Enforcement and Alternations Notices are applied, and the key results of three prosecutions last year which earned media interest.

He advised that Welsh Government will be issuing a consultation in relation to Building Regulations that will see BFS involved with building regulation at the planning stage, this will obviously increase the workload for the BFS Department.

Other work carried out by BFS includes 'During Performance Inspections' which took place at night within Cardiff, in liaison with the Police and Cardiff City Council inspectors. Of the 24 premises inspected, it was found that 22 had fire safety issues, BFS worked with these to bring them up to standard.

At the request of the Ministry of Defence a peer assessment was carried out, which was very well received, with the Ministry of Defence making changes at their premises.

The 'Sound of the City' event that took place at Cardiff Castle resulted in extensive liaison with the organisers due to the risk assessment being carried out incorrectly by the company they hired who advised on capacity. To prevent a Prohibition Notice being issued, which would have had huge consequences, BFS worked with the organisers which resulted in the event going ahead with control measures in place.

Councillor D White queried the project taking place at Cardiff Central Station. The Head of BFS advised that the project is raising awareness with operational crews of what risks BFS look for, operational crews will then be able to share information.

Councillor W Colbran queried whether audits are followed up. The Head of BFS confirmed that a Schedule of Works is provided to the Manager of the premises, the BFS team then follow up with another visit to ensure works have been carried out.

It was noted that external legal services are provided by Hugh James solicitors, and David Stotesbury, a specialist fire safety barrister in London, who has worked with and represented the Authority for 20 years. Tender processes are followed for the provision of the legal services.

RESOLVED THAT

Members noted the extensive work carried out by the Business Fire Safety Department and thanked the Head of Business Fire Safety for his detailed presentation.

21. EMERGENCY SERVICES NETWORK UPDATE

The Head of Finance and Procurement gave an update on the progress of the Emergency Service Network (ESN) project, as previously requested by Members.

He advised that the strategic aim of the Emergency Services Mobile Communications Programme (ESMCP) is to deliver a much better voice and data service to the Emergency Services, replacing the reliable but limited and aging Airwave system.

EE's roll out of ESN coverage within South Wales is nearing completion and the Service has been capturing covering data for some time to assess the network. Devices have been a barrier, but Samsung have now developed new devices which are being trialled.

The original completion should have happened in 2018, various delays prevented this happening. It is anticipated that Operational Validation will take place 2021-2022 with a National Pilot provisionally ending in mid-2022. There is no formal implementation date for the Service at this time.

RESOLVED THAT

Members noted the content of the report.

22. FORWARD WORK PROGRAMME 2020/21

The Deputy Chief Officer presented the Forward Work Programme.

RESOLVED THAT

Members accepted the Forward Work Programme for 2020/21.

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

There were no items of business that the Chairman deemed urgent (Part 1 or 2)

UPDATE ON OUTSTANDING ISSUES ARISING FROM PREVIOUS FIRE & RESCUE AUTHORITY MEETINGS

Sally Chapman – DCO
Huw Jakeway – CFO
Dewi Rose – ACFO SD

Chris Barton – Treasurer
Alison Reed – ACO PS
Richie Prendergast – ACFO TS

Minute No	Item	Action	Leading Officer	Current Status:
19/20 – 43.3.3	Strategic Performance Indicator Targets 2020/21	To publish the agreed strategic performance indicator targets for 2020/21 on the internet and revise published targets appropriately following consideration of year end data	ACO SD	The agreed strategic performance indicator targets for 2020/21 have been published on the website - https://www.southwales-fire.gov.uk/who-we-are/our-performance/our-targets/ ACTION COMPLETED
20/21 – 18.4.1	Draft Proposed Strategic Themes and Objectives 2021/22	To publish the agreed strategic themes and objectives for engagement events within the consultation document for Stage 2 of the Annual Improvement Plan by 31 October 2020.	DCO	To be published by 31 October 2020.
20/21 – 19.3	End of Year Health Check on Performance and Strategic Objectives 2019/20	Members to receive pictograms for respective home authorities.	DCO	ACTION COMPLETED
20/21 – 21.	Vehicle Lease Scheme	<ul style="list-style-type: none"> Minimum individual scheme member contribution to be removed. 		Final update on the Lease Scheme will be reported to a future meeting of the HR & Equalities Committee.

Minute No	Item	Action	Leading Officer	Current Status:
		<ul style="list-style-type: none"> • Existing freedom of movement/on-all business commute payments for responding SM & GM roles to be removed. • Individual employee lease contributions to be assessed to the specific vehicle's annual lease cost to the Service. • Employer's contribution to each member of the Lease Scheme (with the exception of AMs, Directors and BMs) to be increased. • Employer contribution rates across the scheme to be uplifted in line with NJC Grey Book salary increases wef April 2021. 		

AGENDA ITEM NO 6

Reports for Decision

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SOUTH WALES FIRE & RESCUE AUTHORITYAGENDA ITEM NO 6.i
28 SEPTEMBER 2020**REPORT OF THE ASSISTANT CHIEF FIRE OFFICER - TECHNICAL SERVICES****HEALTH, SAFETY AND WELLBEING ANNUAL REPORT 2019/2020****SUMMARY**

The Health, Safety and Wellbeing report for 2019/20 provides a summary of the key activities undertaken and the performance of South Wales Fire and Rescue Service in the area of Health, Safety and Wellbeing.

RECOMMENDATIONS

Members accept the report on the performance of South Wales Fire & Rescue Service in the area of Health, Safety and Wellbeing.

Members note the overall success achieved during 2019/2020 in the delivery of an environment that is supportive of the Health, Safety and Welfare of staff.

Members endorse and support the range of initiatives underway to proactively and reactively support the Health, Safety and Wellbeing of staff employed by South Wales Fire & Rescue Authority.

1. BACKGROUND

- 1.1 The annual report offers a common format to review performance of the South Wales Fire and Rescue Service over a five year period. It also provides data to assist with the development of safety policies and procedures.
- 1.2 The Health and Safety performance of the Service is monitored by the enforcing authority, the Health and Safety Executive (HSE) and other external agencies.
- 1.3 Although the accident and near miss statistics provide a reactive measure, the data enables Service Managers to identify trends, establish additional control measures and identify opportunities for improvement.

2. ISSUE

- 2.1 The Health and Safety report covers the period from 1 April 2019 to 31 March 2020. The report indicates statistical returns on accidents and injuries during this period. Additionally, the report indicates initiatives undertaken to ensure legal compliance and the creation as far as reasonably practicable of a safe working environment for the Service's personnel.

- 2.2 There were 7 Reports of Injuries Diseases and Dangerous Occurrences (RIDDOR) during the year, a decrease of 14.
- 2.3 The total number of reported accidents for 2019/20 has decreased from the previous year by 31 from 75 to 44.
- 2.4 The number of injuries which have resulted in an individual being off work for between 1 and 7 days in 2019/20 has reduced from 6 to 4 with a total of 12 days being lost as a consequence.
- 2.5 The number of injuries which have resulted in an individual being off work for over 7 days in 2019/20 has reduced from 16 to 7 with a total of 330 days being lost as a consequence. 213 of the 330 days are attributed to one individual.
- 2.6 There were 0 major injuries reported for the period of 2019/20. This is the lowest reported figure over the previous 5 years.
- 2.7 The total number of days lost in 2019/20 due to accidents was 342. This is a decrease on the previous year of 383 days. This reduction is really positive and whilst one day lost can be viewed as too many it demonstrates a positive health and safety culture within what can be a hazardous environment.
- 2.8 The number of near miss reports has decreased from 41 in 2018/2019 to 26 in 2019/20.
- 2.9 All workplace inspections for 2019/2020 were conducted in accordance with Service Policy.
- 2.10 The National Fire Chiefs Council (NFCC) work stream on Health and Safety has enabled us to continue to benchmark performance across Wales.
- 2.11 South Wales Fire and Rescue Service continue to be proactive in supporting a variety of Health and Wellbeing initiatives targeted towards addressing mental health challenges in the workplace.
- 2.12 Positive Representative Body consultation and engagement are undertaken via the Health and Safety Committee which meets quarterly. Alongside a quarterly meeting of the Operations Health and Safety Reps Meeting.
- 2.13 Progress against the key plans and projects for Health and Safety are identified for 2019/20 along with a set of new plans for 2020/21. The

three year strategy document will continue to run from April 2019 – March 2022.

3. FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications as a result of this report.

4. HEALTH AND SAFETY IMPLICATIONS

4.1 As identified within the report to help ensure legislation is complied with and a positive Health and Safety culture is maintained.

5. EQUALITY RISK ASSESSMENT

5.1 The report contains no adverse issues that would impact on equality.

6. REPRESENTATIVE BODY CONSULTATION

6.1 There are no Representative Body consultations required as a result of this report however contents and performance will be discussed at the next Health and Safety Committee.

7. RECOMMENDATIONS

7.1 Members accept the report on the performance of South Wales Fire & Rescue Service in the area of Health, Safety and Wellbeing.

7.2 Members note the overall success achieved during 2019/2020 in the delivery of an environment that is supportive of the Health, Safety and Welfare of staff.

7.3 Members endorse and support the range of initiatives underway to proactively and reactively support the Health, Safety and Wellbeing of staff employed by South Wales Fire & Rescue Authority.

Contact Officer:	Background Papers:
ACFO Richard Prendergast Director of Technical Services	Annual Report 2019-2020

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De Cymru

South Wales

Fire and Rescue Service

Annual Health, Safety and Wellbeing Report

2019/20



Summary Statement from Director for Health and Safety

Assistant Chief Fire Officer Richard Prendergast

I am extremely proud of the performance of the Service in continuing to improve our Health, Safety and Wellbeing arrangements. The support of our Fire Authority has enabled us to continue to invest in the appliances, equipment and training that underpin our Service delivery. Examples of this support include the new state of the art Carbonaceous Fire Behaviour Training facility at our Training Centre in Cardiff Gate, new next generation Fire Appliances and state of the art Breathing Apparatus Sets.

We are a diverse and dynamic Emergency Service and recognise that our people are our most valuable asset and they are at the heart of everything we do and deliver. The very nature of our work means that at times staff are expected to work in dangerous and unpredictable environments. The past twelve months have certainly been unpredictable and challenging and the way everyone has pulled together to deliver our risk critical functions through the current pandemic has been truly outstanding. This has been a remarkable team achievement and has required all parts of the Service to pull together and adapt to the new normal we now face.

I would like to thank all of you for your support in continuing to make South Wales Fire and Rescue Service a safer place to work and in particular those of you who have engaged in our Health and Safety Committee and acted as Representative Body Safety Representatives.



Richard Prendergast
ACFO Technical Services



Your Health, Safety and Wellbeing Team



Martin Hole
Health, Safety and Wellbeing Manager



Hannah Owen
Assistant Health, Safety and Wellbeing Manager



Joanna Wilcox
Health, Safety and Wellbeing Officer



Jessica Davies
Health, Safety and Wellbeing Officer



Hayley Snook
Health, Safety and Wellbeing Administrator

Introduction

In these challenging times seen with the Coronavirus pandemic, South Wales Fire and Rescue Service (SWFRS) remain committed to excellence, quality and organisational effectiveness and continues to place great importance on the health and safety of its employees and others who may be affected by its operations. The Health, Safety and Wellbeing Team assists the South Wales Fire and Rescue Service Fire Authority to discharge their duties under Health and Safety Law and UK and devolved Welsh Government legislation. Your Health Safety and Wellbeing Team provide a support mechanism to assist personnel with any health and safety queries or problems and as a Service we aim to reduce risk to employees and visitors from accident, injury and ill health.

Martin Hole

Health, Safety and Wellbeing Manager

Executive Summary

The Health and Safety performance of South Wales Fire and Rescue Service continues to be of a high standard and the number of accidents and incidents remains at a low level.

Accidents on Duty

Duty System	Number of Accidents
Wholetime	25
Retained	7
Recruit	1
Support Staff	5
Young Firefighter	3
Control	1
WAST	1
Member of the Public	1
Total	44

The most common reported injury was 'Sprain or Strain' with 27%.

The most common cause of injury was 'Hit Anything Fixed/Stationary' (27%) followed by 'Manual Handling' (13%) and 'Slips, Trips and Falls on the Same Level' (13%).

Total Days Lost

The total days lost for 2019/20 were 342, this is lower than the figure for 2018/19 which stood at 723.

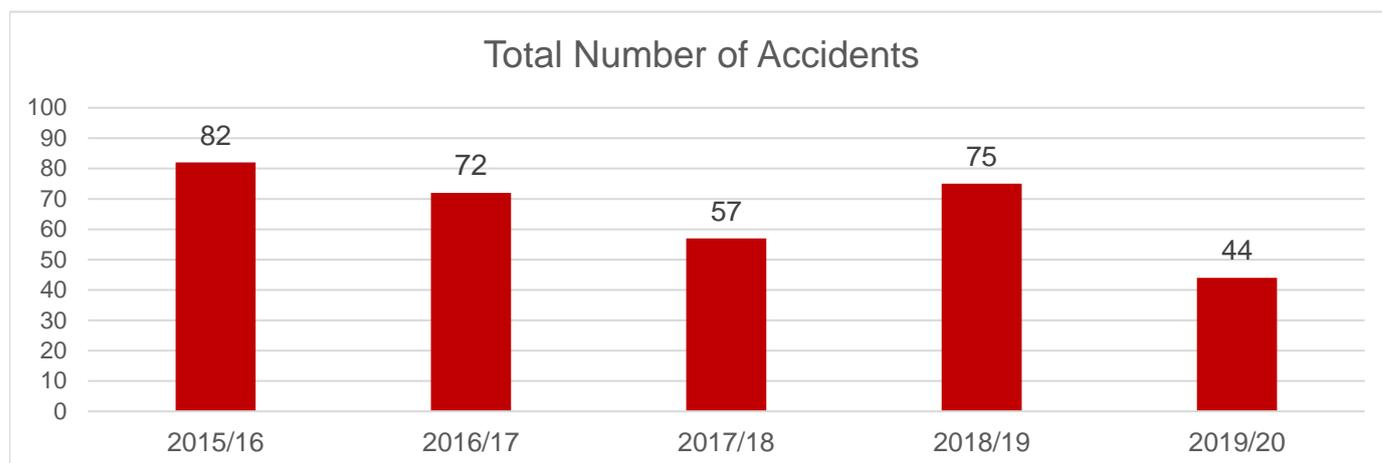
Near Miss Reports

This year we received 26 near miss reports, this is a decrease of 15 compared with last year.



Accidents

Total Number of Reported Accidents – 5 Year Graphical Comparison

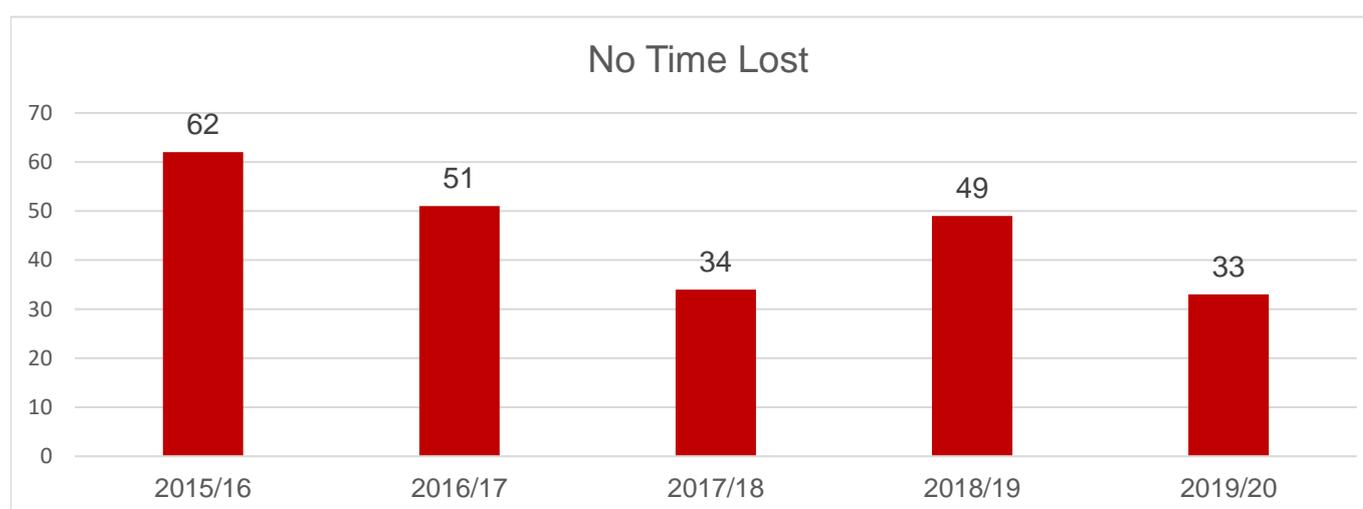


In the year 2019/20, a total of 44 accidents were reported, all of which were fully investigated and a range of recommendations were put forward. Some of the outcomes included Safety Flash Reports, Procedural Alerts, the reviewing of Risk Assessments and a range of local control measures, all of which were designed to prevent or reduce the likelihood of reoccurrence.

Total Accidents and Days Lost due to Injuries

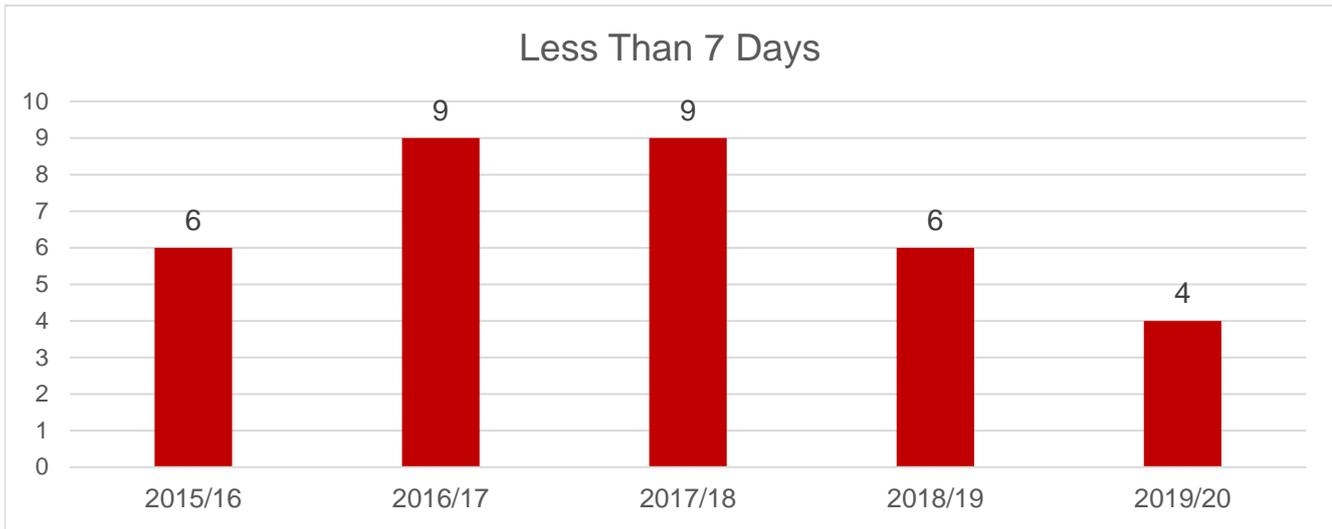
One of the ways in which we categorise accidents is time lost from work. Accidents are categorised into the following; 'No Time Lost', 'Less than 7 Days', 'Over 7 Days' and 'Major/Specified Injury'. This is in accordance with the regulatory body, Health and Safety Executive (HSE) requirements.

No Time Lost



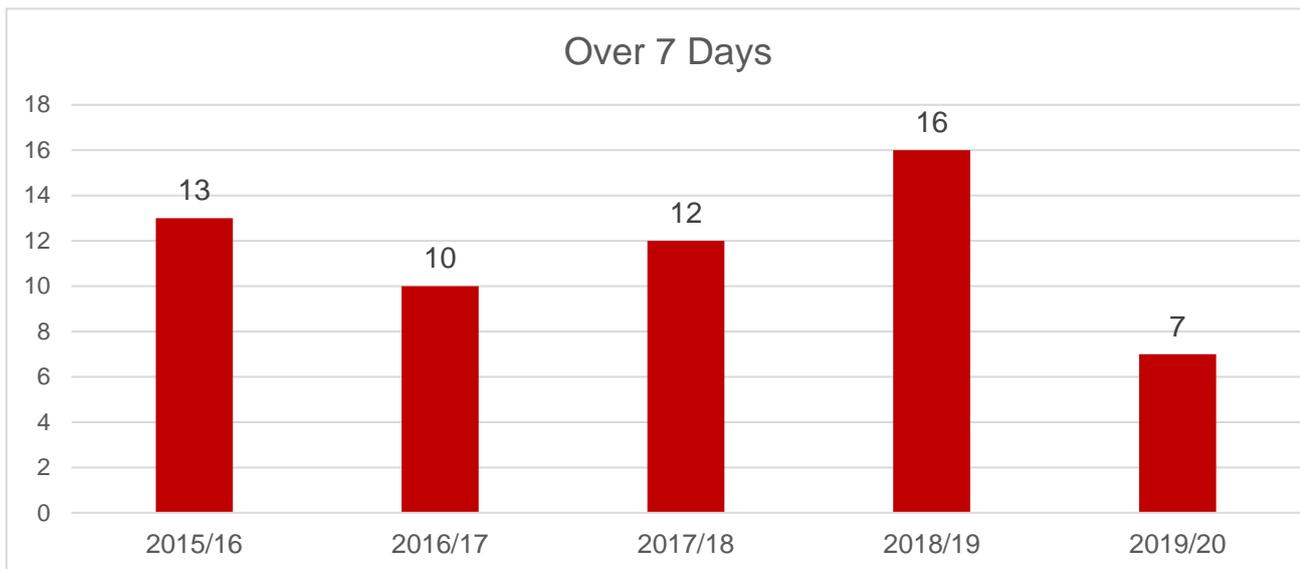
Of the 44 reported accidents, a large majority of these (75%) resulted in the individual not losing any time from work as a direct result of their accident. This indicates that these incidents were of a less serious nature.

50 Less Than 7 Days



For the year 2019/20, four individuals took less than 7 days off work as a direct result of an accident. The nature of these accidents were 'Multiple Minor Injuries, Burn or Scald, Dizziness/Nausea/Dehydration and Cuts and Abrasions'.

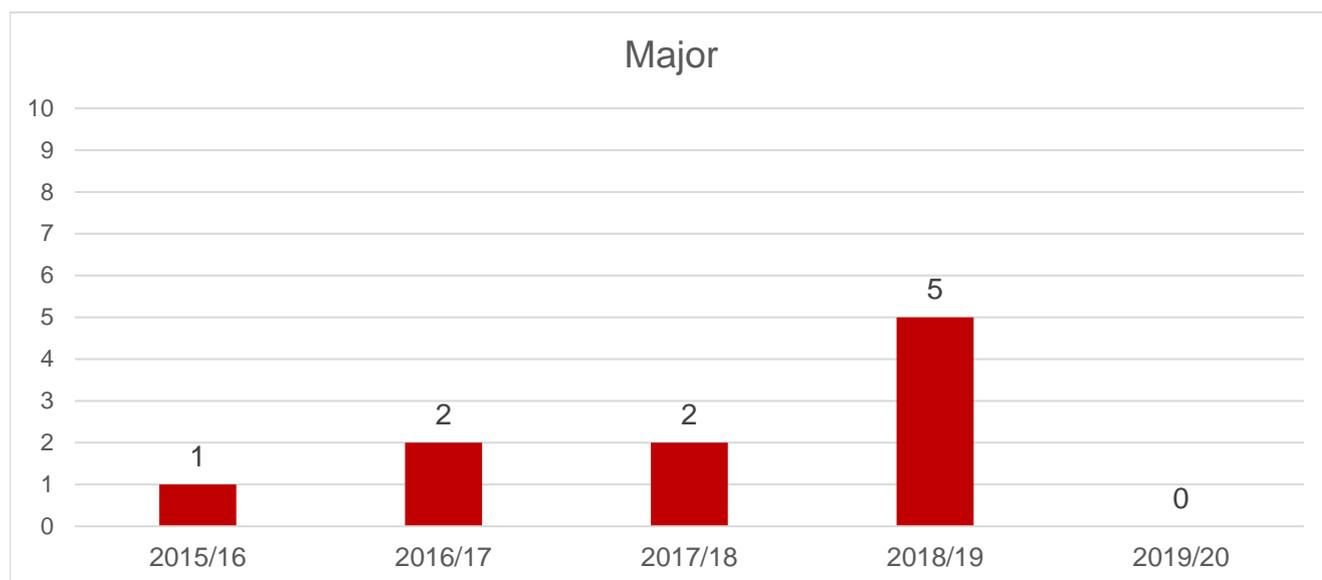
Over 7 Days



Out of the 44 reported accidents in 2019/20, 7 individuals lost 'Over 7 Days' from work, as a direct result of their accident.

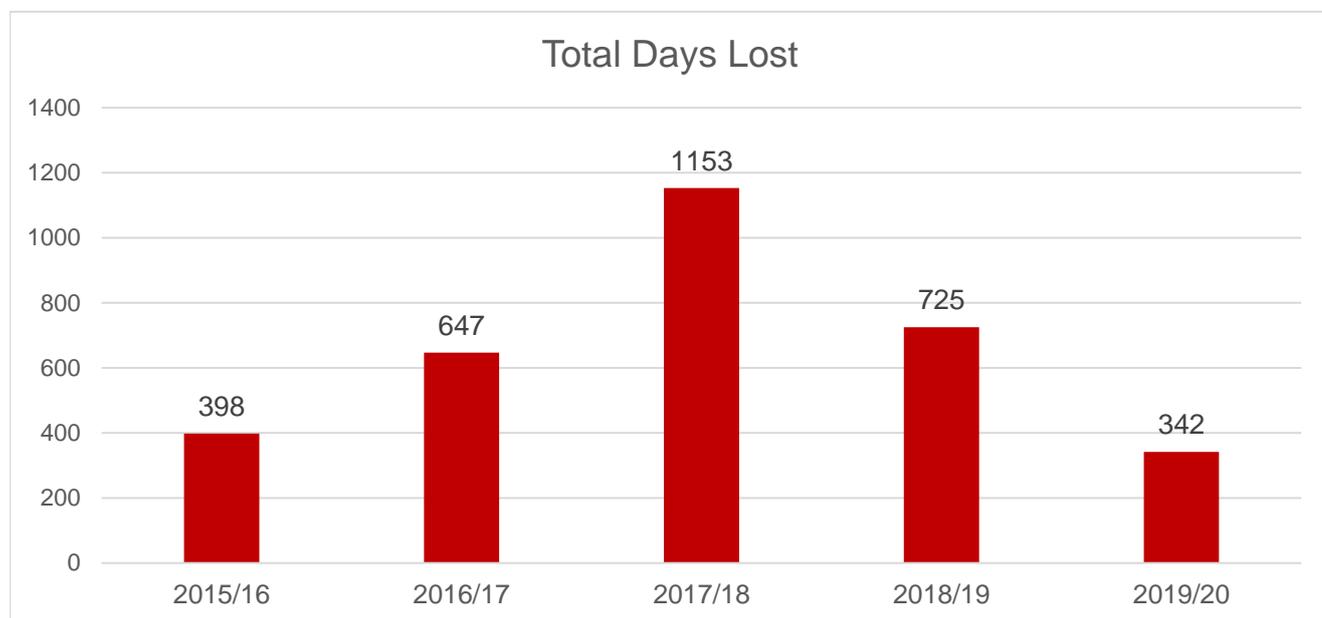
The lowest number of days lost being 8 and the highest being 213. All of these instances were reported to the HSE in line with RIDDOR regulations.

Major



There were no 'Major/Specified Injuries' reported in 2019/20. This is the lowest over a five year period. The HSE provide a list of 'Specified Injuries' that must be reported. Some of these include; fractures (excluding fingers, thumbs and toes), dislocations, burns that cover over 10% of the body. A full list can be found on the HSE website.

Days Lost



**All figures were correct as of the publishing date of this report.*

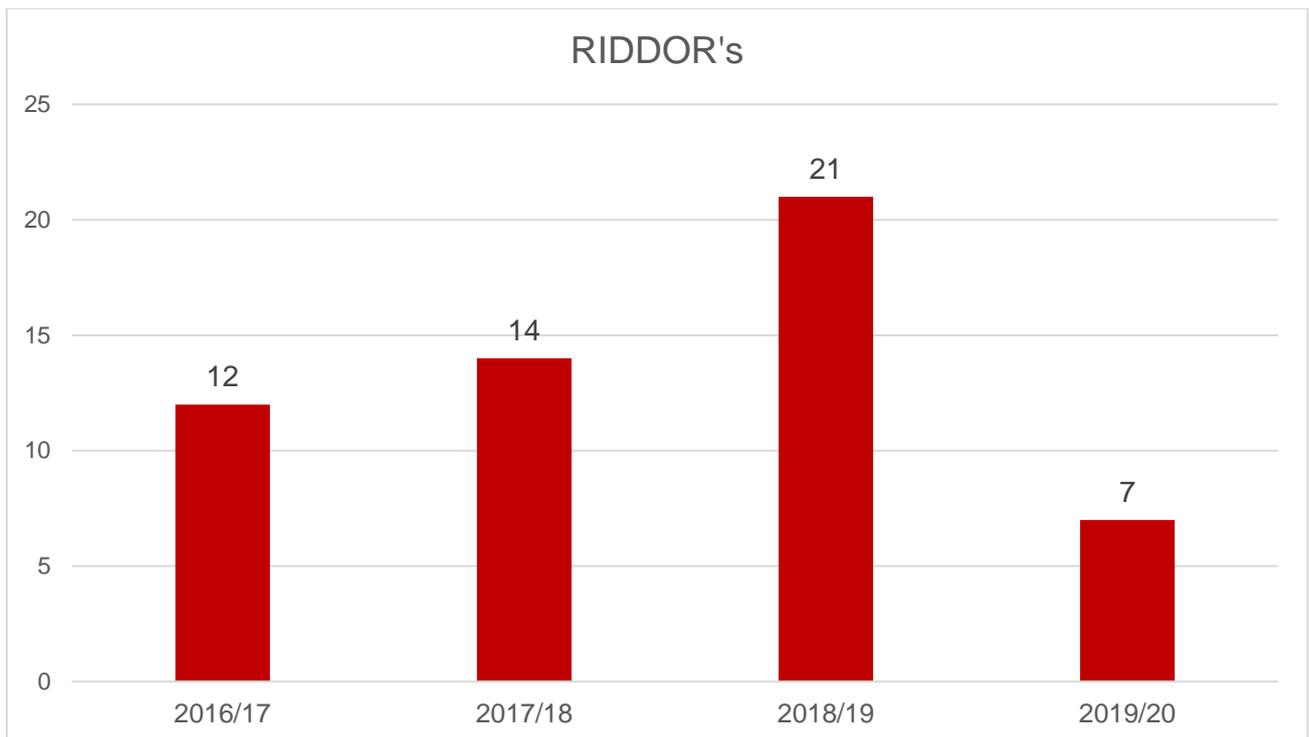
For 2019/20 we have seen a reduction for the second year running in the total days lost resulting from accidents and injuries. The majority of total days lost can be attributed to one incident in which the individual lost 213 days off work.

Reporting of Injuries, Diseases & Dangerous Occurrences

For 2019/20 we have seen a considerable decrease in the number of reports submitted to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

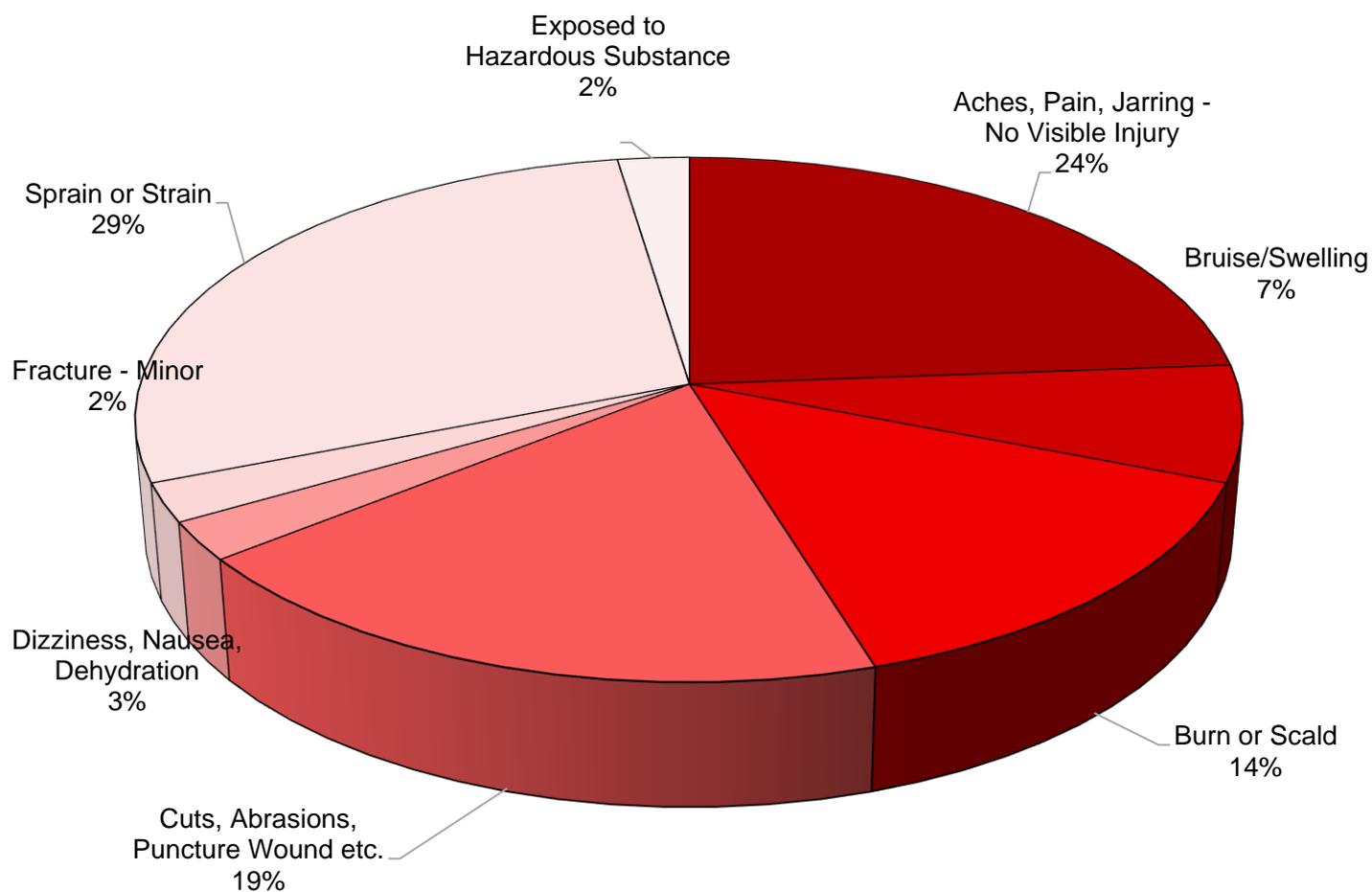
All seven reports were from 'Over 7 Days' injuries, there were no 'Major/Specified Injuries'.

For the year 2019/20 we have made no reports in relation to 'Dangerous Occurrences' and 'Occupational Diseases'.



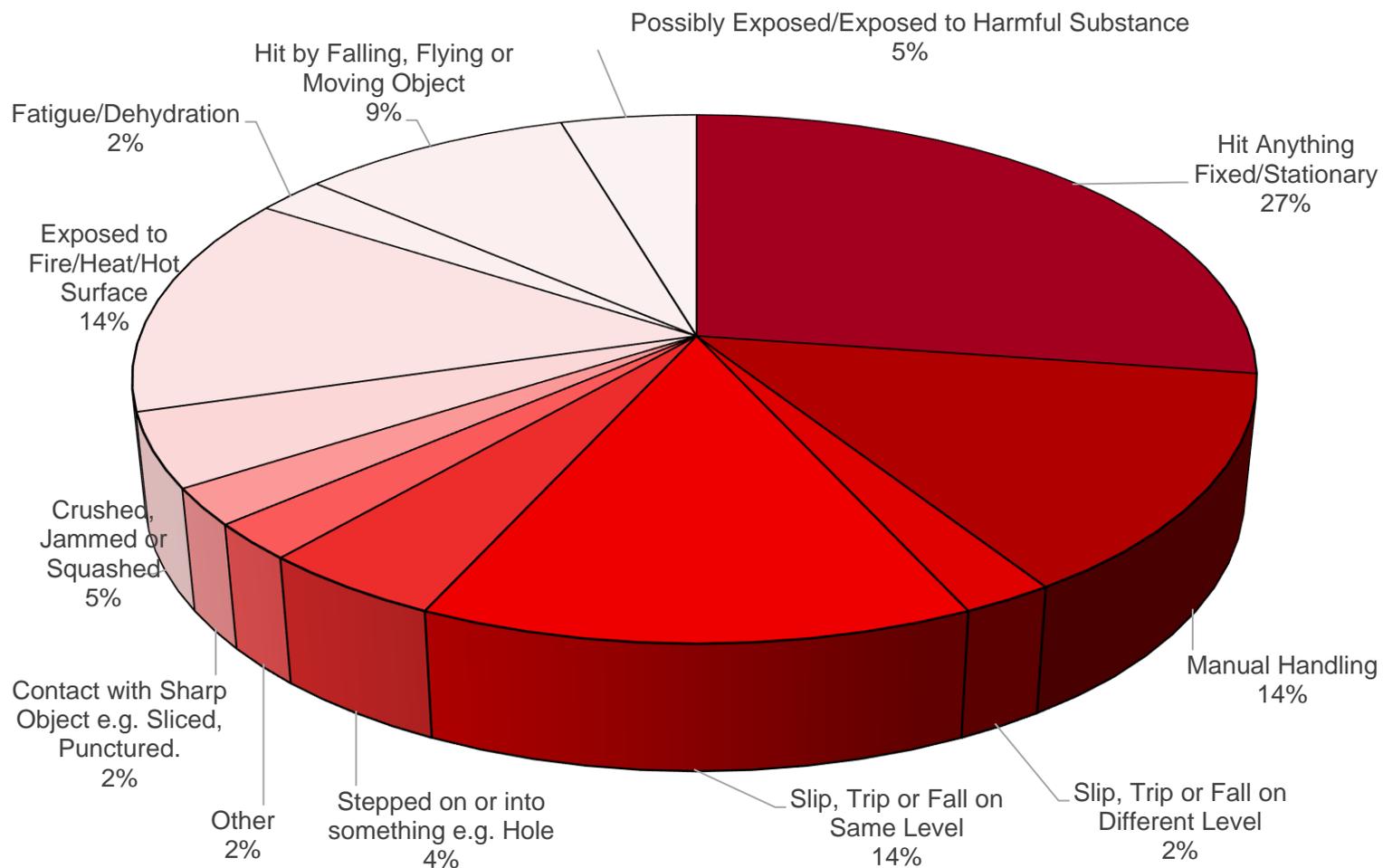
Injury Type

The most common reported injury was 'Sprain or Strain', with 12 reported cases (29%). This is followed closely by 'Aches, Pain, Jarring' with 10 cases reported (24%). The 'Fracture – Minor' relates to an incident where an individual fractured one of their fingers during an RTC exercise.

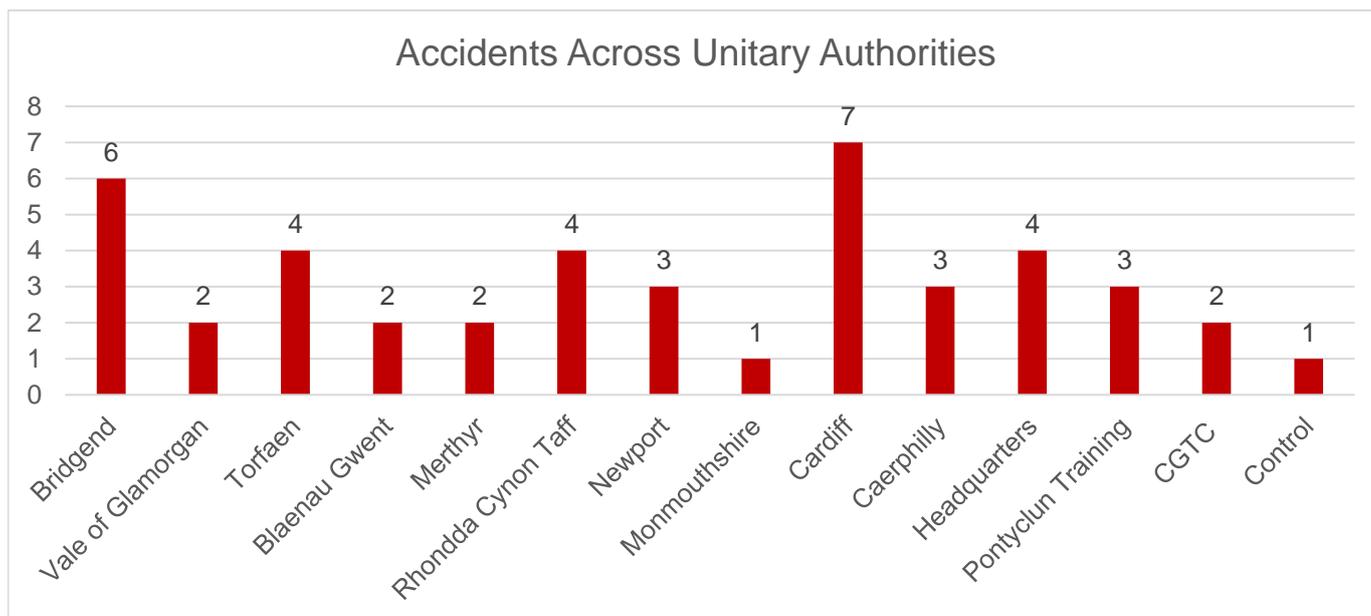


Cause of Injury

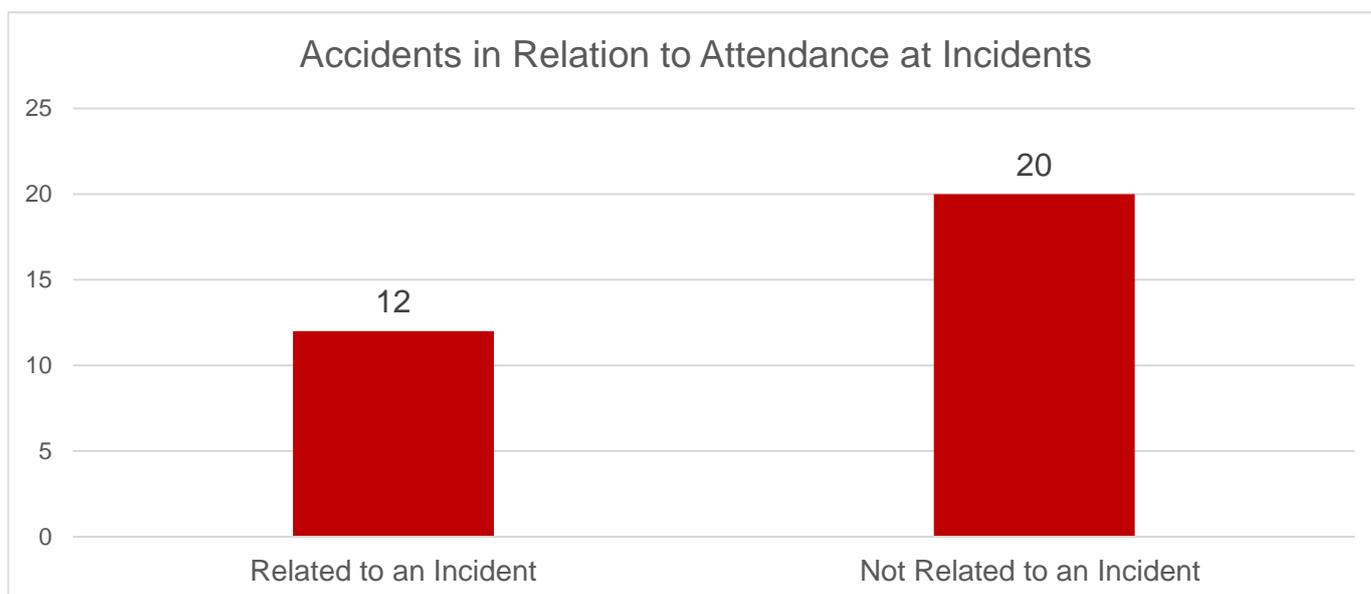
The largest cause of injury was a result of 'Hitting Anything Fixed/Stationary' with 27%. The majority of these cases are a result of lack of care and attention with individuals walking into objects e.g. a light fixture on the wall or the side of an open door.



South Wales Unitary Authorities



The locations displayed in this graph are attributed to where the injured party is based, and is not necessarily an indication of where exactly the accident took place. The largest amount of accidents can be attributed to Cardiff and Bridgend UA's.

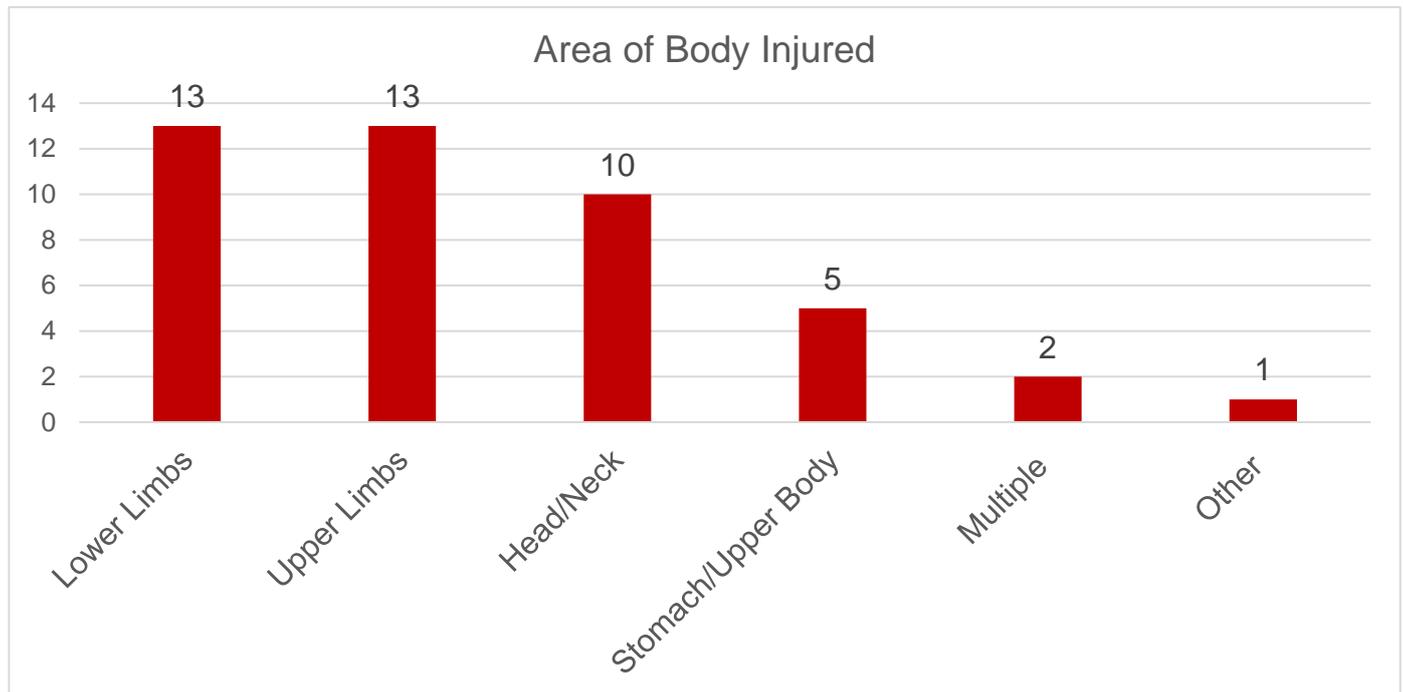


The figures in this graph only represent accidents involving operational members of staff, hence the total number of accidents totalling 32 as opposed to 44.

The majority of accidents on duty are unrelated to responding or attendance at incidents. These accidents have occurred whilst on station or during training sessions.

For greater perspective, during 2019/20 our operational members of staff attended 6985 incidents involving fires, flooding calls, RTC's and water rescues. Therefore, less than 1% of calls to incidents resulted in an accident.

Area of Body Injured

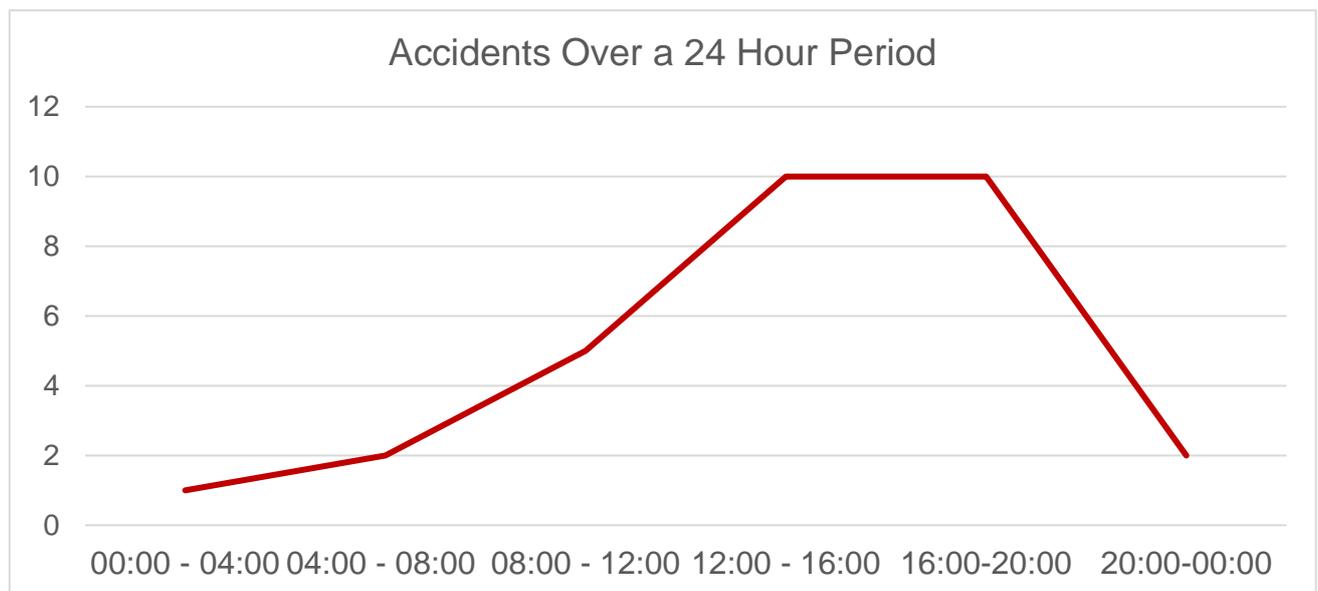


The majority of injuries are related to the lower and upper limbs. A large proportion of accidents involving the lower limbs are a result of 'Sprain or Strain' injuries involving ankles. This is a result of stepping on or into something or walking over uneven ground.

In regards to upper limb injuries, 10 out of the 13 reports were in relation to employee's hands and/or fingers. The injury type is 'Burn or Scald', 'Cuts and Abrasions' and 'Aches, Pain or Jarring'. Of the remaining 3 injuries, two involved shoulders and the remaining one involved their bicep.

Head/neck injuries are the second most common area of the body to be effected. These appear to be as a result of individual's walking into objects or coming into contact with pieces of equipment i.e. Service ladder, hose reel.

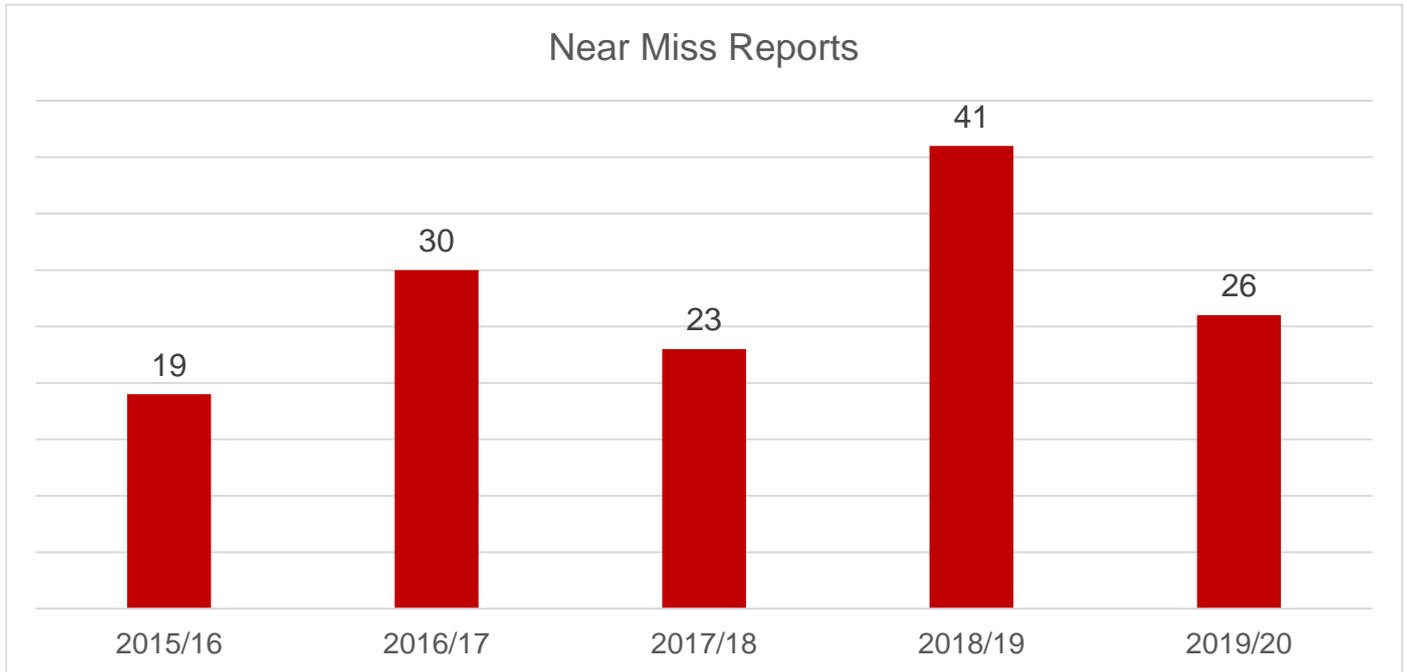
Time Period



The data shows that the majority of accidents involving operational members of staff take place after midday, peaking between the hours of 12:00-20:00. This coincides with the expected increased activity levels during this time of day.

Near Misses

The HSE defines a near miss as an “unplanned event which does not cause injury and/or damage, but could have done so”.



We have seen a reduction in the number of near misses reported for 2019/20. The figure now stands more in line with previous years. The spike in 2018/19 can be attributed to the introduction of the near miss reporting card which was heavily publicised.

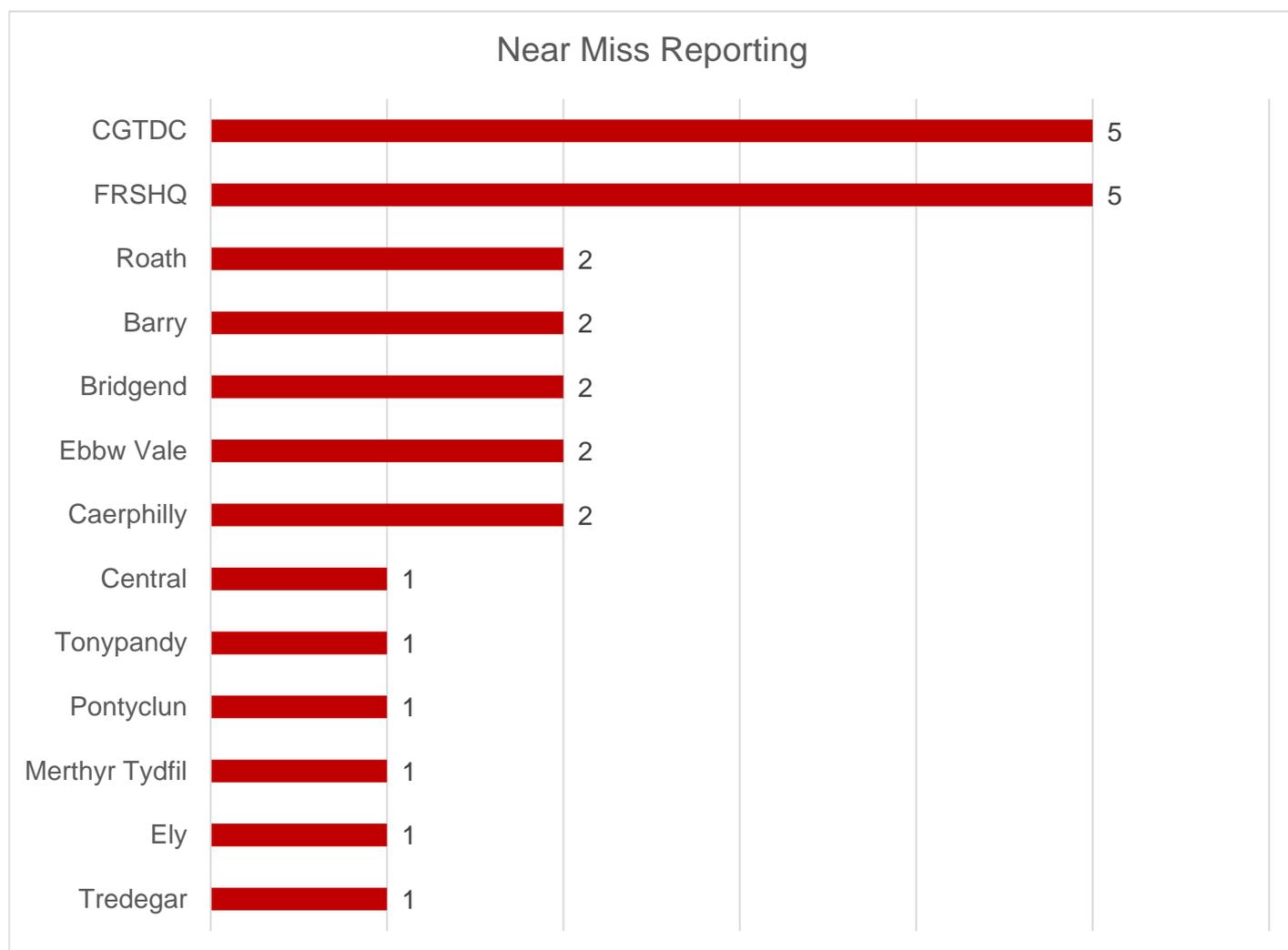
The most popular method of reporting still appears to be phoning near misses through via control. We received 10 of our reports through this means.

This is followed closely by reporting near misses through the online electronic report card found on our intranet page, where we received 8 reports.

We received 6 physical copies of the near miss reporting card for 2019/20.

Two reports initially came in as initial injury reports, but following further investigation they were recorded as near misses instead.

Who Has Been Reporting Near Misses?

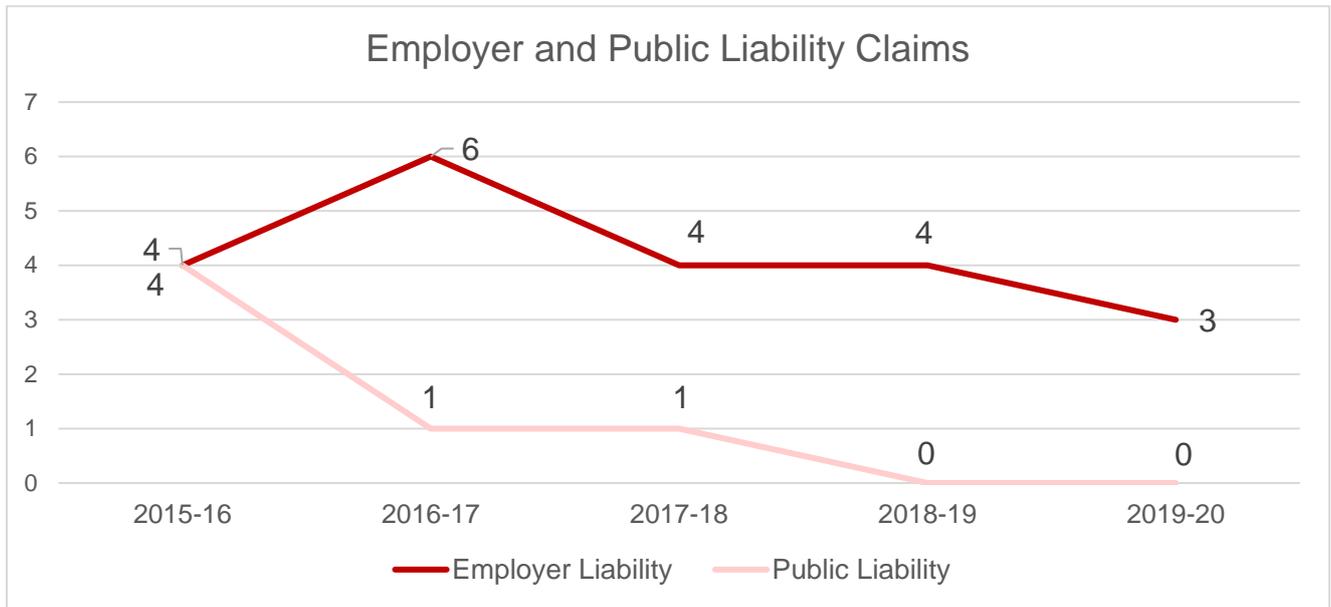


11 out of 47 stations reported at least one near miss in 2019/20. This is a reduction on last year, where 18 stations submitted at least one report.

Cardiff Gate Training and Development Centre along with FRSHQ reported the most near misses.

As a Service we recognise how important the reporting of near misses are for the reduction of accidents and encouraging a positive health and safety culture. During the next financial year we will make a conscious effort to encourage more near misses and maintain the increased numbers seen in 2018/19.

Insurance Figures



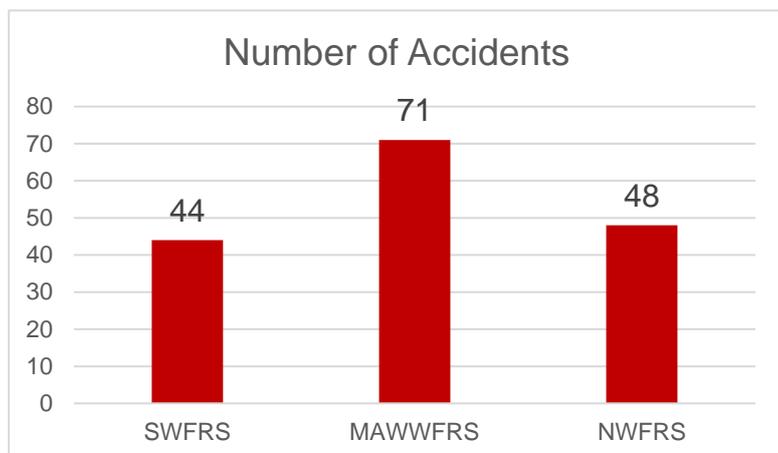
This graph shows the number of employer liability and public liability claims that were made in over a five year period. It is important to note that these figures represent the year the individual's claims were processed, it does not represent the year the accident took place.

2019/20		
	Employer Liability	Public Liability
Total Number	3	0
Total Value	£102,105*	0

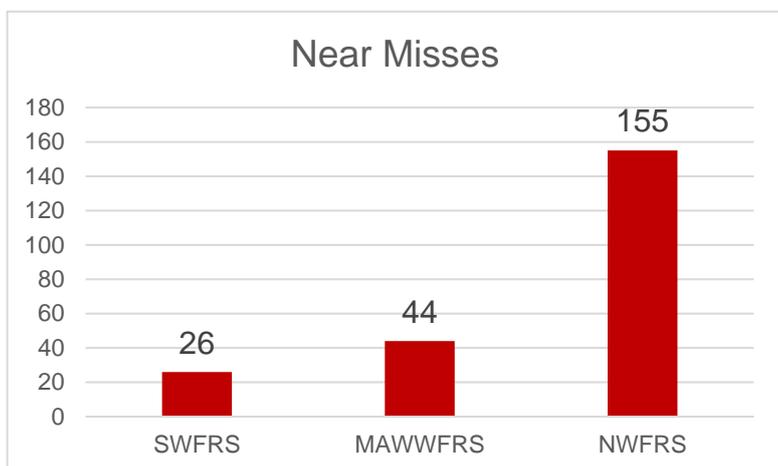
*This total value figure includes a £92,000 reserve which the insurance team are currently awaiting confirmation on.

All Wales Figures

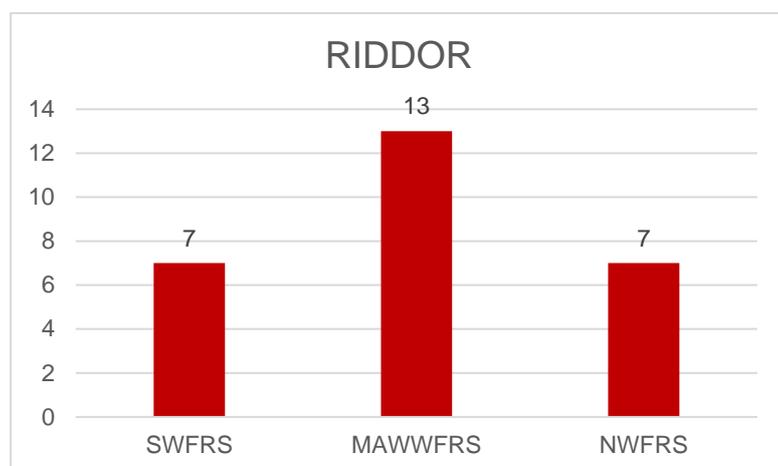
Headcount: SWFRS (1638), MAWWFRS (1448) and NWFRS (906).



MAWWFRS reported the highest number of accidents and SWFRS reported the lowest.



NWFRS reported the highest number of near misses for the second consecutive year.



MAWWFRS reported the highest number of RIDDOR's (including dangerous occurrences). NWFRS and SWFRS reported the same.

UK Fire & Rescue Service Injury Rates

Data pending.

Our Programme of Work

Workplace Inspections

In order to manage Health, Safety and Wellbeing effectively, the Service relies on both proactive and reactive systems to monitor levels of performance.

Workplace inspections are a proactive measure of Health and Safety, as not only do they help to identify hazards and minimise risk, they also act as a learning opportunity as our Health, Safety and Wellbeing Officers get the chance to engage in meaningful conversations about health and safety with members of staff across the organisation.

During 2019/20, the team undertook at least one Health and Safety workplace inspection across all 47 stations. We also carried out inspections in headquarters, including the Fleet & Engineering Department, Stores and OHU.

Towards the end of 2019/20 the team revised the H7 workplace inspection form. Feedback from the consultation was positive, with colleagues commenting that the new version is more streamline and easier to complete. As a result the HSGN 5 Workplace Inspections Policy was updated and the new form has been published ready to be utilised during the 2020/21 inspection programme.

Noise Monitoring

We have the necessary equipment and training to carry out reliable noise assessments for the Service. During 2019/20, two new members of the team undertook noise monitoring training with Cirrus. We are now in a stronger position to provide reliable noise assessments and will utilise this training during the 2020/21 period.

Legionella Inspections

All sites are covered under a term service contract with an external contractor (IWS). Inspection and testing is carried out monthly, quarterly, 6 months and annually. Risk Assessments are carried out every two years and actions taken to reduce risk. All inspection and testing is recorded on the IWS portal which property maintenance manage.

Training Provision

Service Inductions

Duty System	Number of Inductions	Number of Delegates
On Call	8	99
Wholetime	1	21
Non Uniform	5	36
Control	1	3
Total	15	159

There were 15 inductions carried out over 2019/20 for new starters to the organisation. All of these inductions will have included a 1-2 hour session covering Health and Safety Training which will have been presented by a member of the Health, Safety and Wellbeing Team. These inductions are an important opportunity to provide new employees with a basic understanding of Workplace Health and Safety and to raise awareness of the services the Health, Safety and Wellbeing Team provide.

DSE Assessments

All new starters within the Service will receive a self-assessment form, in addition to this we carried out a total of 25 face-to-face DSE assessments during 2019/20. In line with the DSE Regulations, we ensure individuals workstations are set up correctly to suit their needs. We also provide relevant advice and guidance in terms of the risks associated with DSE and the provisions in place for eye examination reimbursements.

Incident Investigation and Risk Assessment Training

During 2019/20 the Health, Safety and Wellbeing Team undertook a number of bespoke training sessions for operational members of staff, namely Station Commanders, Crew Managers and Watch Managers. The training covered a variety of topics such as accident and near miss reporting and investigation, along with risk assessment training.

During 2020/21 the team will be working with both operational and support members of staff to continue to deliver a variety of Health and Safety Training.

Occupational Health

The Health, Safety and Wellbeing Team work closely with the Occupational Health Unit to assist with the treatment of individuals following an accident or stressful event.

The table below has been produced by Occupational Health and provides an overview of the number of appointments broken down by consultation category.

Table 1. Provides a breakdown of consultation categories for the period 2019/2020. (Red 2018/2019).

APPOINTMENT TYPE	Q1	Q2	Q3	Q4	TOTAL
Routine Medical Surveillance WDS/ RDS	53	91	69	88	301
Routine Medical Surveillance AUX	11	10	12	16	49
LGV Medicals	19	39	27	49	134
First Appointments	43	53	65	46	207
Review Appointments	82	92	88	124	386
Telephone consultations	48	61	62	73	244
Physiotherapy	55	110	104	119	388
Pre-Employment Corporate staff	8	16	6		30
Pre-Employment Firefighter*	180	135	117	138	570
Counselling	61	51	59	49	220
Spirometry	2	4	10	2	18
Audiometry	2	1	0	0	3
Blood pressure reviews	0	0	2	3	5
TOTAL APPOINTMENTS	564 (660)	663 (632)	621 (541)	707 (740)	2555 (2573)

Physiotherapy Services

Musculoskeletal conditions and injuries are responsible for the majority of sickness absence and lost productivity in SWFRS. Early access to physiotherapy is important in achieving a speedy recovery from these conditions and injuries.

SWFRS continues to benefit from on-site physiotherapy services on 1 day per week. The physiotherapist now has a wide range of experience relevant to the role of Firefighter and developed a good working relationship with the Occupational Health professionals and the Health & Fitness Advisors (HFAs). The on-site availability of a physiotherapist has improved the quality and efficiency of the services to staff.

Stress Awareness and Counselling Initiatives

Psychological ill health is the second most prevalent cause of reduced performance and sickness absence. SWFRS has benefitted from a long standing partnership with the Department of Liaison Psychiatry at UHW, which has provided very effective treatment for firefighters affected by the traumatic aspects of Fire & Rescue Service duties as well as other occupational and non-occupational psychological health conditions.

Consultation and Engagement

Detailed below are some of the main areas of consultation and engagement that we are involved in across the Service.

Safety Committee

Our longstanding Safety Committee Meetings continued to run successfully through 2019/20 with the exception of Q4 due to the COVID-19 pandemic. During this year, a number of Health and Safety issues were discussed, with practical solutions put forward and implemented. As a Service, representatives came together from all departments to meet on a quarterly basis. These meetings took place on the following dates:

- 1st July 2019
- 10th September 2019
- 29th January 2020

All of the relevant meeting papers are accessible via our Health and Safety Intranet Page.

FBU Operations Safety Representatives

During this period we continued to meet at regular intervals with our station based Safety Representatives. This is an important forum for engagement and fostering a positive Health and Safety Culture across the Service. The meetings are an ideal opportunity for Safety Representatives to raise any Health and Safety concerns relevant to their station. This in turn also provides us with additional insight into what is happening across the Services' premises.

These meetings took place on the following dates:

- 11th April 2019
- 11th July 2019
- 17th September 2019
- 13th February 2020

All Wales

Over the years we have met regularly with our Welsh counterparts. During 2019/20 we saw a reduction in these meetings due to various workloads.

These face-to-face meetings are important for knowledge sharing and learning best practice from one another. We continued to meet in two separate capacities, one through our All Wales NIC Group which includes members of senior management, and the second, through our All Wales Practitioners Meeting which includes a smaller group of delegates who are day-to-day practitioners in the field. This year this forum proved particularly useful in sharing leading and lagging indicators, near miss reporting procedures and safety critical information.

We understand the importance of an all Wales approach and keep in regular contact with the Health and Safety Team's from Mid and West Wales and North Wales via email and telephone. We will look to resume these regular meetings during 2020/21 utilizing video conferencing software.

Wellbeing Steering Group

The end of 2018/19 saw the creation of the Wellbeing Steering Group. During 2019/20 we have contributed to the successful start up of this forum and have attended monthly meetings where we discuss a variety of employee well-being initiatives.

Improving Firefighter Safety – Real Fire Training Facility Cardiff Gate

During 2019-20 we opened our Real Fire Training Facility (RFTF), the first of its kind in Wales, providing the highest standard of training and safety for firefighters.

The three-storey training facility at Cardiff Gate boasts advanced technology that will enable firefighters to carry out high quality real fire training in a range of challenging real-life scenarios with no products of combustion being released and therefore, having no harmful impact on the environment.

The 'RFTF' has a variety of built-in safety systems throughout the building which are monitored from a control room, ensuring the safety of all users. The decision to build this innovative facility demonstrates the Service's commitment to Health and Safety by ensuring our firefighters have access to the highest standards of training within the safest facilities possible.

Improving Firefighter Safety – Operational Risk Management

Recent and Future Enhancements

Working with colleagues across the Service our Operational Risk Management have undertaken a number of projects over the last year in order to deliver a range of new appliances, equipment and PPE.

Respirators - Following on from the initial roll out in 2018/19 ORM have continued with the face fit testing and distribution of the Sundstrom individual respirators giving operations crews improved protection.

Digital Radios - 2019/20 saw the introduction of the new Motorola DP4601e radio which affords our operational crews the following benefits:

- More powerful output
- Better range and clarity
- Longer battery life
- Lighter
- Better Water/Dust Proofing (IP68)
- IS rated against all but Acetylene

Drager BA Set - The new Drager PSS700 self-contained breathing apparatus with the Drager Bodyguard Warning device gives improved firefighter safety during wear as well as increased comfort and positioning of ancillary equipment. This set has a range of features which were liked by our crews during the testing and consultation phase prior to roll-out.

All Wales Structural PPE - An extensive piece of work has taken place to procure a more lightweight structural fire kit along with our colleagues in North Wales and Mid and West Wales FRS's. The Ballyclare Xenon was the kit chosen by crews across all three Services who undertook a period of testing in a range of conditions that they are likely to find themselves in in the future. SWFRS have started the measuring up of operational personnel for kit sizes and this is likely to see the new kit on the run in early 2020/21 reporting year.

Progress against Projects, Plans and Objectives for 2018/19

1. Risk Assessments.

We have worked to develop a new Risk Assessment template and training package which has been delivered to all middle managers, this new style template is easier to use and in line with both IOSH Managing Safely (The training course given to Middle Managers) and the HSE Template. We have identified a large number of older risk assessments which are being archived away from the intranet, the plan going forward is to build a smaller more robust suite of risk assessments which can be utilised by all personnel.

2. Explore opportunities to automate our Health and Safety Processes and Systems.

A number of KPI's have been identified which we can utilise the BMIS system for, which will look both internally within the Health Safety and Wellbeing Team and at our customer base e.g. stations. We have also introduced a 24/7 job logging system for the Team which is currently in its early stages.

3. Monitor and review the 3 year strategy document to ensure efficiency and effectiveness.

This objective will ensure the Strategy document continues to be effective throughout its lifecycle, we have the ability to move around planned dates for completion of tasks which is particularly useful as we are unsure which direction the COVID-19 Pandemic is going to take us.

Key Objectives for 2020/21

Due to the Coronavirus pandemic objectives being set for the year 2020/21 may be affected as a deliverable. This is likely to be due to third party interactions and working in line with both Welsh Government legislation and UK government guidance. As a team we are looking at new ways in which we can still deliver our service to our end users whilst working in compliance.

Due to the work planned for the 2019/20 objectives some of these were identified as taking more than one year and will therefore roll over to 2020/21.

These include:

1. Risk Assessments.

We will continuing on with this piece of work, we are going to look at the next stage regarding how we may implement an electronic recording/reporting stsyem which will flag when risk assessments are due for review.

2. Monitor and review the 3 year strategy document to ensure efficiency and effectiveness.

We will continue to monitor the effectiveness of the 3 year strategy document to ensure targets are reached where reasonably practicable.

3. Explore opportunities to automate our Health and Safety Processes and Sytems.

We will continue to keep this as an action as it will link in with the first two actions (above). However, we have to be mindful of the effects of COVID-19 as to making this an achievable deliverable.

4. Covid Secure Workplace

Working to ensure SWFRS sites are Covid compliant, through introduction of appropriate hand washing/cleaning facilities and signage etc. working closely with managers to ensure all tasks being undertaken by their individual teams are risk assessed to best mitigate the risk of spread of Covid-19. Linking in with the Covid Recovery Team to provide advice, guidance and support.

5. Identification of new working practices

The HSW Team members will identify new ways of delivering our services to the end user. This will include a range of changes including delivery of a new online induction training session, a range of online HSW 'Tool Box Talks', e- meetings with stations and HQ departments via Starleaf and other available resources etc.

We will continue to monitor the changes to legislative guidance around COVID secure workplaces and provide the appropriate support to Departmental Managers to allow them to best manage Covid-19 for the respective teams.

Closing Word

In challenging times that is being felt across the World since the start of the Coronavirus pandemic, South Wales Fire and Rescue Service (SWFRS) continue to place even greater emphasis on Health Safety and Wellbeing across the Service, not only to manage the risk to our employees but also our service end users, our communities, our colleagues in WAST, Police, the NHS, RNLI, and local councils who may be required to interact with us. We are identifying ways in which we can support the other emergency services and local health boards whilst minimising risks to our personnel.

We will carry this forward for the 2020/21 reporting year and most likely many more to come. Therefore, as a Service, we have to identify new ways of delivering these services in the community in a safe effective manner allowing us to continuously build on the great work that has been done in recent years in reducing fire calls and ultimately reducing any associated risk to our operational crews.

The Health Safety and Wellbeing team will continue to work as an integral part of supporting all departments to help deliver our services in an effective way whilst remaining mindful of supporting our personnel in these challenging times that see them with their own concerns around childcare or caring for elderly family members. We will look at supporting our personnel who are homeworking or self-isolating, ensuring they have regular engagement from line managers, to confirm they feel as supported from home as they would be within the office environment.

As a Service we will continue to move forward, adapting, and evolving to allow us to come out of this pandemic in the same if not stronger position than when we were entered.



Further information

For any further information please contact Martin Hole:

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South Wales
Fire and Rescue Service

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SOUTH WALES FIRE & RESCUE AUTHORITYAGENDA ITEM NO 6.ii
28 SEPTEMBER 2020

REPORT OF THE TREASURER

MEDIUM TERM FINANCIAL STRATEGY (MTFS), RESERVE STRATEGY AND BUDGET UPDATE**SUMMARY**

The report includes an update of the Medium-Term Financial Strategy and Reserve Strategy of the Authority together with an update on the Revenue Budget for 2021/22.

RECOMMENDATION

That the Fire Authority agrees the report content as the basis of its financial planning framework.

1. BACKGROUND

- 1.1 The Authority operates a Medium-Term Financial Strategy (MTFS) which provides a backdrop to the planning of resource allocation and spending. This report updates the current MTFS (Appendix 1) and Reserves Strategy and discusses the immediate challenges facing the Authority in setting its budget for next financial year and any planning assumptions into the next decade.
- 1.2 The Finance, Audit and Performance Management Committee considered the updated strategies at its meeting on 21 September 2020.

2. ISSUES

- 2.1 Last year's Welsh Government budget set a new trend in resources for local government in Wales. This marked a change to the previous decade of austerity that had resulted in significant spending constraint on local authority services including Fire and Rescue Service budgets. The Welsh Local Government Settlement saw an increase in resources for unitary councils of 4.3% and a minimum increase for any council of 3%. Councils fund Fire & Rescue Services via payments from their revenue budgets.
- 2.2 For the previous 10 years or so, the public sector has seen significant cutbacks in spending and this Fire Authority has sought to reflect that restraint in its approved budget. The MTFS includes historical data on spending and budget reductions within the Service throughout this period.
- 2.3 The whole face of public services has been changed by the recent Covid19 pandemic and budgets and resources at all levels of government have been altered out of all recognition from the norm. UK debt rose to over £2 trillion recently, the highest ever debt recorded. Spending packages

announced by the Government to deal with the economic fallout from the pandemic have been at unprecedented levels. The impact on all public sector bodies has been enormous both in terms of spending pressures and loss of revenue.

- 2.4 The Fire Authority has maintained its services throughout the pandemic but incurred around £0.5m to date in additional costs with funding support from the Welsh Government meeting most of this cost.
- 2.5 Brexit continues in the background, but its impact is unknown and may anyway pale into insignificance in the short term now.
- 2.6 No firm forward financial plans have been released by central government whether nationally or regionally in the wake of the current crisis and forward planning with any accurate assessment of external factors is very challenging if not impossible.
- 2.7 It is not anticipated that the review of governance and funding undertaken by Welsh Government will significantly change the structure, activities and funding of Fire Authorities in the near future.
- 2.8 The MTFs attached at Appendix 1, identifies the operational context in which the financial management of the Authority takes place currently and sets out the challenges, risks and responses which are relevant in the short to medium term where this is possible.
- 2.9 The MTFs can only plan on the basis of knowns or reasonably informed assessments and accordingly, no attempt has been made to forward project resources beyond next year. If new announcements on funding are released, a review of the MTFs will be required.

3 LOCAL GOVERNMENT SETTLEMENT 2021/22

- 3.1 There was no indicative level given for the 2020/21 local government settlement. In the current financial year, Welsh Government gave Councils 4.3% extra resources in a step change settlement. Councils again responded with calls for more and continued the trend of increases in Council Tax which now accounts for around one quarter of their net spending.
- 3.2 In previous years, the Fire Authority has been informed of the consistent pattern of increases in local taxation which assists in budget setting for Council Services which includes fire and rescue services. Council tax yield has typically increased by an average of around between 4% and 5%.

4 SPECIFIC BUDGET PLANNING CONSIDERATIONS

- 4.1 The Fire Authority approved a revised staffing structure in September 2018 and this now forms the basis of the revenue budget.
- 4.2 In terms of the employee budget of the Authority, pay inflation is the biggest single factor at play. There is ongoing dialogue with representative bodies for grey book (uniformed) staff and whilst there is likely to be a continued commitment to an underlying inflationary pay increase (2% offered in 2020/21), the pay and conditions and the widening role of the firefighter remain unresolved.
- 4.3 In terms of 2021/22 inflationary pressures, the most significant is likely to be pay awards. 2% seemed to have become the norm for public sector following a large number of years with zero or 1% increases. The impact of a 2% award is around £1.0m per annum for both grey and green book staff. The table below summarises the current position in relation to pay awards and the planned treatment in the budget. As can be seen, the green book settlement already exceeds current year budget provision with a likely consequential upward pressure on uniformed pay increases in next year.

Staff cohort	20/21 budget provision	20/21 agreed increase	21/22 budget provision
Green Book	2%	2.75%	2.75%
Grey / Gold Book	2%	2%	2.75%

- 4.4 The Authority has for some time been working on increasing availability in on call stations by generating better recruitment and retention profiles. During the pandemic, it has been possible to increase the resources available in this area and if this can be maintained, appropriate funding will need to be allocated to this.
- 4.5 Firefighter pensions continue to be a bone of contention with recent legal cases which the Government lost in respect of the tapering arrangements generating uncertainty in the costs and nature of the schemes going forward. At this time, a consultation on the remedy for the discrimination identified is ongoing. Until the final design of the new “2022” Firefighters’ pension scheme and the detail of the remedy for the period between 2015 and 2022 is known, costs will remain uncertain.
- 4.6 It is likely that the fallout from the cases affecting firefighters may also affect the LGPS in due course.

- 4.7 Welsh Government currently continue to fund the pension schemes to a significant degree and any change to this funding remains a significant risk. To the extent that pension costs fall to be met locally, higher underlying payroll costs are reflecting in proportionately higher employer's contributions.
- 4.8 The Covid19 pandemic interrupted many streams of work including the carrying out of the approved Job Evaluation Programme for Green Book posts. Whilst it is not anticipated that this work will increase staffing budgets, until it is complete, this also remains a risk area for spending.
- 4.9 Generally, the Authority has managed out inflationary increases to non-staff budgets for a number of years and it is likely that this tack will again be taken but this time supported by savings identified within the revenue budget. A side effect of Covid19 has been to radically change the mode of operation of non-response related activity. This includes for example, energy costs, travel and accommodation where new methods of working including from home and with technology such as video conferencing have reduced costs. One of the most significant investments required next year is likely to be in the core Microsoft licensing arrangements of the authority which could increase costs by around £400k per annum.
- 4.10 Where specific inflationary impacts are unavoidable e.g. business rates, these are factored into budget projections. The Service also builds in the impact of capital financing costs arising from its capital programme.
- 4.11 Based on the first review of pressures within the revenue budget, the contribution budget for 2021/22 could increase as follows

Pay, Pensions & Allowances	3.0%
Premises	2.2%
Training	2.0%
Supplies and Services	12.5%
Transport Costs	2.0%
Contracted Services	3.0%
Capital Costs and Leasing	5.1%
Overall Increase	4.3%

- 4.12 As mentioned above, work will continue to identify the potential savings to offset this upward pressure wherever possible.

5. BUDGET TIMETABLE

- 5.1 The Authority has in recent years sought to set its revenue budget requirement at the December meeting of the Fire & Rescue Authority with a consultation period prior to that meeting. This was seen as

advantageous to the constituent councils in terms of their budget planning cycles.

- 5.2 For the last two years, there were a number of factors which conspired against the Authority in achieving this goal. 2020 has been anything but a normal year but the Authority should continue to hold to this ambition.
- 5.3 Welsh Government usually sets its budget in early October with draft local government settlements available in October however, it is uncertain what the impact of the Covid19 will bring to this process.
- 5.4 As always, it is appropriate for the Fire & Rescue Authority to consider its budget setting timetable for 2021/22.
- 5.5 In order to work towards an early approval, the following meetings will consider relevant information. If the Fire Authority were not able to consider the budget at its December 2020 meeting, the programme below includes contingency for a February setting.

Date	Meeting	Consideration
21 Sep 2020	FAPM Committee	This meeting
28 Sep 2020	Fire & Rescue Authority	MTFS and Reserves Strategy
12 Oct 2020	FAPM Scrutiny	Revenue Budget Preparation and Assumptions
23 Nov 2020	FAPM Committee	Revenue Budget Consultation
23 Nov 2020 – 14 Dec 2020	Consultation Period	
14 Dec 2020	Fire & Rescue Authority	Consultation Feedback & Revenue Budget Approval (provisional date)
14 Dec 2020 – 18 Jan 2021	Consultation Period	
18 Jan 2021	FAPM Scrutiny	Draft Revenue Budget and Consultation Feedback
8 Feb 2021	Fire & Rescue Authority	Consultation Feedback & Revenue Budget Approval

6. RESERVES STRATEGY

6.1 The Strategy set out by the Fire Authority was aimed at ensuring that

- All known and quantifiable liabilities were funded within its reserves and provisions
- There was sufficient general reserve to avoid any in year call on constituent council budgets from unforeseen financial risks
- The Authority maintained a flexible investment reserve to facilitate change within the organisation without the need to resort to substantial and inconsistent calls on annual budget contributions.

6.2 The Authority has previously stated that it will not use reserves to effectively operate a budget deficit as this is not a sustainable plan of action. This policy has been successful with the Service maintaining downward pressure on budgets and delivering underspends in most financial years. These underspends have allowed the Authority to create and utilise the 'invest to save' reserve.

6.3 As a result of the 'Faster Closure of Accounts' initiative, the Authority is in a position to confirm its Reserves position at 31st March 2020. There is a reduction of £3m over the year mainly due to the planned financing of the Cardiff Gate CFBT facility and a number of invest to save schemes.

Reserve	Balance at 31/03/20 £000	Purpose
General Reserves	3,000	General financial resilience
Change Management Reserve	4,869	To fund projects aimed at efficiency, service improvement and change
PFI Equalisation Reserve	3,799	To balance out timing difference in grants and costs of the PFI Training Centre project at Cardiff Gate
Managed Under Spend Reserve	49	To meet costs of ongoing projects falling into the next financial year
Joint Control Lease Reserve	500	To finance the contribution to the Joint Control Facility in Bridgend
CFBT Facility	128	To finance the building of the new facility at Cardiff Gate
Total Revenue Reserves	12,345	

7. FINANCIAL IMPLICATIONS

7.1 Details of the financial projections are included within the Strategy.

8. EQUALITY RISK ASSESSMENT

- 8.1 There are no equality implications resulting directly from this report. Each significant change in the Authority's budgets will undergo equality and diversity risk assessment by the responsible budget holder as part of the budget planning process.

9. RECOMMENDATION

- 9.1 That the Fire Authority agrees the report content as the basis of its financial planning framework.

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance and Procurement	MTFS attached as Appendix

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Appendix 1

Medium Term Financial Strategy 2020/21 – 2021/22

September 2020

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About SWFRS

South Wales Fire and Rescue Service is one of three Fire and Rescue Services in Wales and is one of the largest fire and rescue service areas within the UK.

Service and Incident Profile

The Service is coterminous with the ten unitary authorities in South and South East Wales, covering an area of 2,800 square kilometres of rural, coastal and urban areas. The Service serves a population of over 1.5 million.

The Service operates out of an HQ, Training Centre, joint control facility and 47 Fire Stations some of which are permanently crewed and others crewed by on-call firefighters. The Service has over 300 operational vehicles including fire appliances, off road vehicles, light vehicles and boats. The service takes around 35,000 emergency calls per year, responding to around 17,000 incidents of which a third are fires. Of these fires, around 70% are deliberate. Besides fires, the Service also responds to road traffic collisions, flooding and water rescues, animal rescues, medical emergencies and environmental incidents.

The Service proactively seeks to reduce risk mainly by prevention through annual early intervention, education and engagement activities. Approximately 20,000 home fire safety checks are undertaken and 50,000 children and young people are met face to face as part of educational and engagement events. As a result of this activity, the Service has been successful in significantly reducing the number of fires over recent years.

Strategic Plan

South Wales Fire and Rescue Service's vision is set out in our strategic plan for 2020-30. This Medium-Term Financial Strategy underpins that vision.

The plan outlines the strategic direction and explains how the Service intends to meet its challenges in order to continue to deliver a high quality service that meets the needs of our communities. The long-term strategic Themes and shorter term Priority Actions within the Plan will enable South Wales Fire and Rescue Service to not only deliver a sustainable service but also support our partners in the wider public sector.

The Service's vision remains the key focus; "making South Wales safer by reducing risk." The Service recognises that safer communities can only be achieved by challenging and improving the way it works, through a safe and competent workforce and by effectively managing its resources.

At times of austerity, there is a temptation to concentrate on costs and reduced budgets with no regard to the quality of services delivered. However, the Service has made the decision to concentrate on how improvements can be made with the strongly held belief that efficiencies and savings will result. The key strategic themes are

Key Strategic Theme	Activity
Keeping you Safe	Raise your awareness of risks through education and information, to protect you from harm.
Responding to your Emergency	Respond quickly and effectively when you need us.
Protecting our Environment	Make sure that we are always planning and working in a way that helps sustain the planet for our future generations.
Working with our Partners	Work with our partners to design services that are delivered and targeted based on a joint understanding of risk, to deliver on our shared outcomes.

Key Strategic Theme	Activity
Engaging and Communicating	Talk to and involve our communities and people so that we can deliver our services to effectively meet your needs.
Valuing our People	Support a diverse workforce that represents your community, is well trained and motivated to deliver our service.
Using Technology Well	Continually look to use the right technology where it can improve our service to you.
Continuing to Work Effectively	Make sure that our service provides value for money and that we are clear about how we are performing.

This financial strategy sets out the approach and identifies how the Service intends to plan and manage its resources in the light of the Government's approach to public sector spending. It also focuses on how the Service will remain viable and respond to the various risks and pressures which it will face.

During 2020, the whole nature of public services and public sector finance has undergone a paradigm shift resulting from the Covid19 pandemic. Whilst it is clear that the Government has sought to utilise public sector spending and borrowing as a means to deal with the crisis and to ease the economic impact of it, there is no clear picture yet emerging of how this situation will translate into future spending and resourcing plans.

Against this background, this MTFS has not been extended forward at this point as it is practically impossible to assess the likely resources available to fund local authority services in Wales or indeed any other public service. The MTFS will be revisited as and when significant Government announcements are made.

Key Achievements

The Service has been successful in significantly reducing the number of fires and fire related deaths and injuries over recent years. For example, between 2011/2012 and 2016/2017, fires reduced by 33.82%. This has been achieved against a background of reducing resources whilst at the same time, maintaining fire cover and continuing the standards of service expected by the public of South Wales.

Financial Context

Fire and Rescue is a devolved function and Welsh Government therefore have national oversight of the service. The South Wales Fire & Rescue Service is one of three Fire and Rescue Services operating in Wales. That said, both the national UK environment and devolved Welsh Government impact on the finances and operations of the Service.

The UK Context

The Service's financial position is impacted by the wider global economy and this strategic plan is written in this context. However, the Service cannot accurately predict or influence these factors and therefore has to plan on the basis of the best information available to it.

The International Monetary Fund judges that the outlook for growth has improved in advanced economies however, uncertainty around the global outlook is heightened at present, associated among other things, with policy and political risks. UK Government policy on spending has been the key determinant which has set the scene for resources in the UK public sector.

The latest spending review of the UK Government set out parameters for public spending over the medium term. Whilst there have been some signals that austerity is easing, particularly in respect of pay awards and the latest local government settlement in Wales, there is little optimism to believe that this is a move away from the overall downward pressure on spending especially in the light of the current economic crisis.

Significant uncertainty remains about the short and long term financial effects of “Brexit” and the prospect of a “no deal Brexit” continues to heighten concerns over the economy.

Wales

Overall spending limits set in Westminster determine the Barnett Formula consequential for resources in Wales each year. In the latest budget, the forecast spending limits showed:

- Wales Departmental Resource Budget as £13.4bn in 17/18 and 18/19 and £13.5bn in 19/20
- Wales Departmental Capital Budget as £1.7bn in 17/18, £1.8bn in 18/19 and £1.9bn in 19/20

With no Comprehensive Spending Review now taking place in the autumn of 2019, it was anticipated that departmental budgets would remain significantly unchanged however, announcements of additional spending pre Covid19 resulted in a larger settlement for Wales in 20/21. The budget agreed by Welsh Government impacts the funding of unitary authorities (which in turn meet the costs of Fire and Rescue Services) together with community safety and other sector specific initiatives which are directly funded through specific grants and contributions.

Welsh Government has now obtained the powers to vary income tax. This MTFs does not assume that these powers will be used to increase revenue and therefore funding.

Unitary Authority Funding

Unitary authorities contribute to the Fire & Rescue Service budget and in consequence, their funding settlement is relevant to the Service. In recent years, the trend in reducing public expenditure has resulted in downward pressure in the un-hypothecated grant resources distributed to unitary authorities. This trend was reversed somewhat in 20/21 with an overall 4.3% settlement uplift for councils but with no further indicative budgets beyond the current year.

Current Cost & Budget Structure

The starting point for any Financial Strategy is to understand the cost base of the Service.

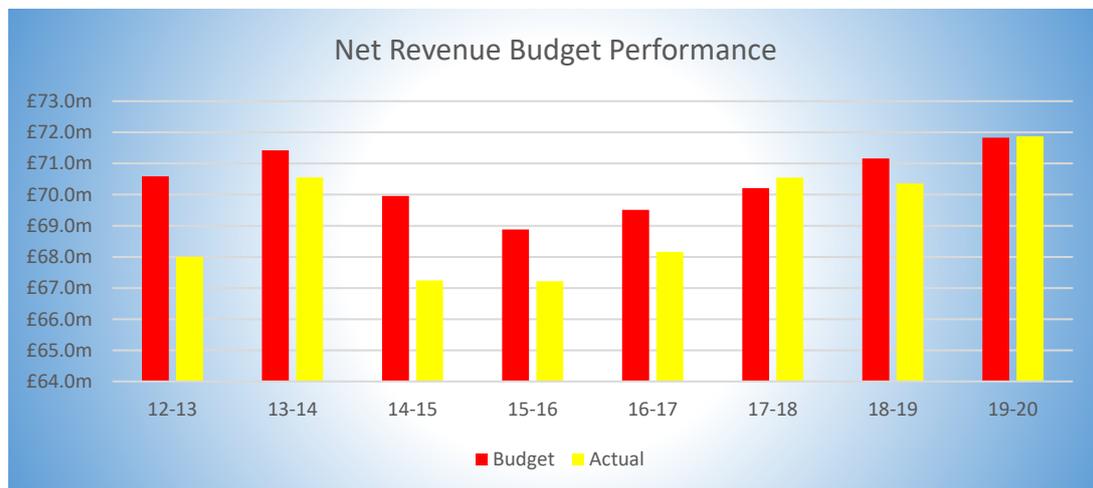
Revenue Budget

The Service’s net annual revenue budget in 2020/21 is around £74.9m, the equivalent of less than £50 for each resident of South Wales. It equates to 0.5% of the total public service spending in Wales each year.

The table below shows the breakdown of the annual budget in 2020/21

	£000
Employees	49,509
Indirect Employee costs	11,386
Premises	5,564
Training	1,482
Supplies & Services	4,109
Transport	1,406
Contracted Services	852
Capital Financing	4,834
Gross Budget	79,142
Income	-4,262
Net Budget	74,8

The following chart shows the movement in the net revenue budget since 2008/09 together with the actual spend for each year.



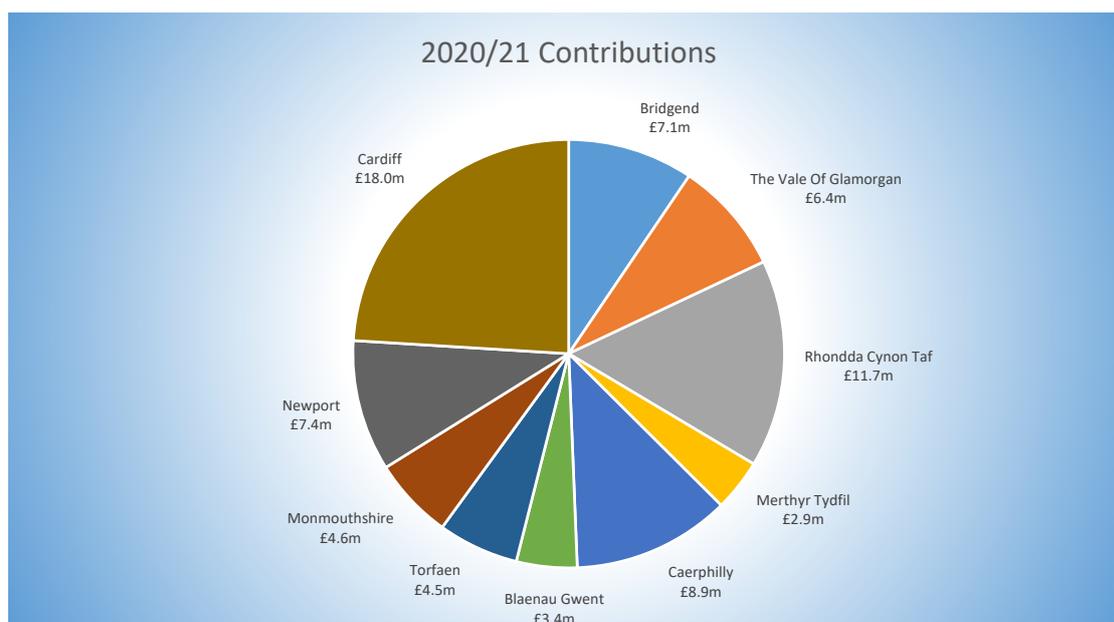
The Service has proactively managed to stay within its budget every year despite numerous challenges to its operations including a sustained period of industrial action. Surpluses generated from the revenue budget are utilised to invest in Service Improvement, asset renewal and efficiency projects which in turn keeps the requirement for annual funding at a lower level than would otherwise be the case.

An analysis of the outturn consistently reveals that staffing budgets are underspent particularly in the retained and whole-time firefighter categories. This stems from an ongoing struggle to recruit, train and retain sufficient numbers of staff whilst at the same time losing experienced firefighters to retirement and other full-time employment.

SWFRS Revenue funding

By virtue of the 1995 Fire Combination Orders, Fire and Rescue Services in Wales are funded from contributions made by constituent unitary authorities within their area. Each year, the Fire and Rescue Service determines its budget requirement and notifies each constituent council of its contribution. Contributions are proportionately split based on population.

The current distribution of funding in South Wales is show below.



The Welsh Government has undertaken a review into the governance and funding of fire authorities in Wales. If this review changes the structure, composition or funding of fire authorities, it could significantly impact the MTFS as drafted.

During 2019, HM Treasury amended the SCAPE rates used to underpin Pension Fund Valuations. As a result of this exercise, a significant increase in employer's pension contributions occurred. In Wales, specific grant funding of over £3m was provided to the Authority to meet these costs.

Pension funding for Firefighters continues to be a national issue with several recent court cases lost by the Government likely to increase costs in the medium to long term.

Forecast Cost Changes

There are a number of known factors which impact the cost base of the Authority. The main categories are outlined below.

Inflation

The financial strategy includes inflation where this is a contractual obligation but assumes that the majority of other spending is cash-limited. The exceptions include items where prices are generally more volatile than CPI such as vehicle fuel, energy costs and insurance premiums where specific allowances are made. Total inflation of around £0.5m per annum is assumed between with an anticipated 2% rise in fees and charges built in.

Pay

The Authority is part of the collective bargaining arrangements for 'grey book' (fire fighters) and 'green book' (non-uniformed) employees and therefore implements respective national pay awards as part of its pay policy arrangements. The Authority abides by the statutory Minimum and Living Wage legislation. The cost of pay inflation (including related pension overheads) is assumed to be around £1.6m per annum. This is currently assessed with reference to the public sector pay settlements achieved of around 2.75% per annum. The wider role of firefighters is still subject to ongoing discussion with representative bodies and the outcome of this activity could impact pay levels. The MTFS assumes that such costs agreed on a national basis would be accompanied with funding. This situation will be monitored on an ongoing basis.

Pensions

The Authority operates a number of pension schemes for the benefit of its employees and makes employer contributions to each. Uniformed staff are eligible to join the national Fire Fighters' Pension Scheme (FFPS) and non-uniformed employees are eligible to join the Local Government Pension Scheme (LGPS). The schemes are administered by Rhondda Cynon Taf County Borough Council on behalf of the Authority. Employees are automatically enrolled in the relevant scheme unless they opt out.

Regular actuarial valuations are carried out to determine employer contribution rates to the Schemes. The LGPS is a funded scheme unlike the FFPS which is unfunded and underwritten by Welsh Government.

- The LGPS employers' pension contribution rate is currently 15.2% of gross pensionable pay.
- The FFPS employers' pension contribution rates vary as there are three schemes in operation. Rates are currently between 11% and 21% of gross pensionable pay. The strategy assumes that Welsh Government will continue to fund any scheme deficit over and above the employee and employer contributions and that it will continue to fund the SCAPE costs which arose in 2019/20.

The cost of firefighters' pensions is in a state of flux currently with the government having lost legal cases around the tapering transitions from the 1992 to the 2015 scheme. Until a solution becomes clear, it is not possible to quantify the impact on the Service's base budget.

Service Demand

The strategy recognises that there is an increasing population trend in South Wales particularly within the urban areas of Cardiff and Newport. Pressures on the Authority's services will increase as a result of this and other factors.

According to Welsh Government statistical modelling, the population of South Wales has grown by around 6.5% in 10 years and growth forecasts are assumed to continue at a steady rate. This rate includes disproportionate increases in certain at risk groups such as the elderly. As demographics change, the need for fire cover and other rescue services change.

An average growth in population of around 0.66% per annum is not reflected in an annual need to increase expenditure. However, the Authority's cost base may eventually need a step change in response to overall demand. Such changes are traditionally dealt with through ongoing reviews of fire cover and other necessary service provision.

Demographic trends towards and ageing population with more people living alone and with life limiting health conditions are likely to increase demand on services.

Environmental and legislative changes also drive the demand for services in areas such as flooding, wild fires, road traffic collisions and bariatric rescue. The Authority's partnership arrangements also result in an increased number of service calls such as co-responding to medical emergencies. The current climate of terror related incidents also demands a significant training and response capability in the fire service. These specific areas are considered in terms of budget provision as and when spending pressures crystallise.

Capital Financing Costs (Debt repayments and interest)

The strategy includes an increase in the Authority's estimated capital financing costs of £0.3m reflecting the approved capital programme. This programme together with the Treasury

Management Strategy of the Authority determines the principal debt repayments and interest costs which will fall on the revenue budget. The programme includes a range of investments aimed at maintaining, renewing and supplementing the Authority's assets to achieve its strategic objectives. Affordability is a key component of the capital programme.

The Authority does not receive separate funding for capital borrowing costs and as such, all borrowing costs must be met from its core revenue budget.

Specific Projects

The nature of the Fire & Rescue Service entails participation in collaborative regional and national initiatives, some of which are sponsored by central government. Changes to the costs and funding within these projects can impact the budget of the Authority. One particular project is currently being monitored in this regard.

- Emergency Services Mobile Communications Platform (ESMCP) is a project aimed at rolling out a new Emergency Service Network (ESN) across the UK. Currently Welsh Government supports the cost of this network in Wales through financial contributions. This equates to around £0.6m per annum in South Wales. The project aims to not only modernise and improve the network but also to reduce ongoing costs. Until the future cost of the ESN is known for certain, the financial impact of the project is uncertain. Further delays in the delivery of this project will be monitored in terms of their financial impact.

The infrastructure of the Service is heavily dependent on suitable Microsoft licencing arrangements to support its operational and back office capability. Next year, the Service will be reconfiguring its ICT arrangements and this will bring a significant requirement for investment in this area. It is estimated currently that costs could increase by as much as £0.4m per annum.

Forecast Funding Changes

Both national and local changes to funding can affect the Service's income streams.

National Funding Changes

The Government's policy direction has shown a long-term trend of reduction in public spending but there was a reverse in this trend in the current 20/21 budget year. That said, the scale of the recent increase is small in the context of the two major economic challenges facing the country i.e. Covid19 and Brexit.

It is almost impossible to make meaningful assumptions beyond the steady state position given the unprecedented level of change in the country's financial position. In one scenario, continued reinvestment to drive economic development and to meet public service demands could be forecast, in another, an even more prolonged period of public sector austerity to reduce the hitherto unseen levels of government borrowing.

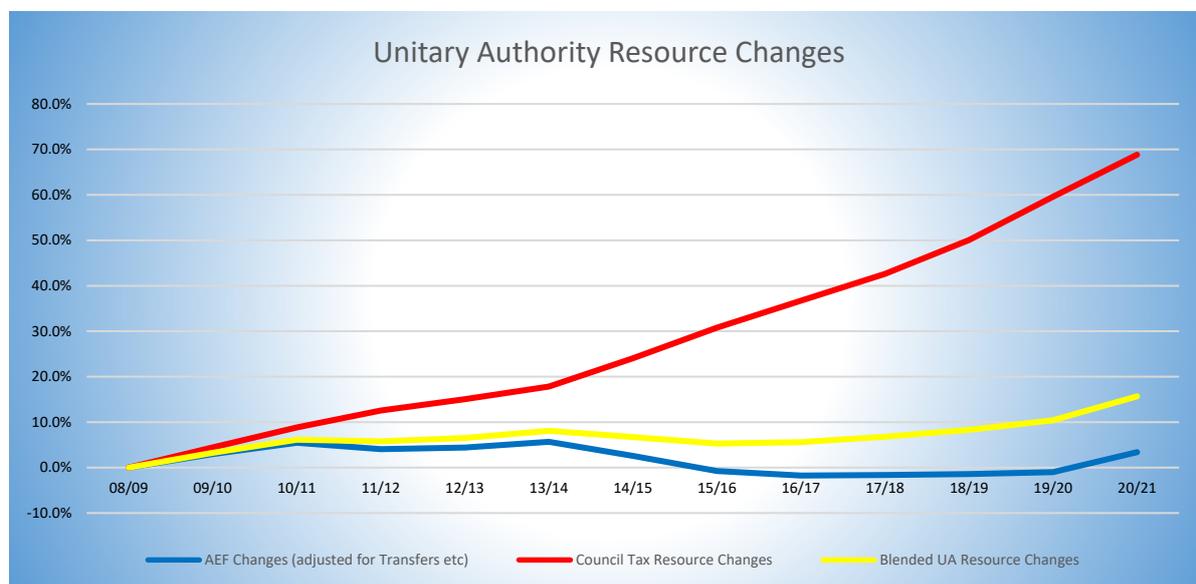
Welsh Local Authority Settlement Funding Assessment

The outcome of the budget decisions of Welsh Government in terms of health, social care and education will be major determining factors given the relative size of those budgets. In 2020/21, the Welsh Government was able to divert resources to local authorities for the first time in a decade.

Aside from external funding from Welsh Government, Unitary authorities also have revenue raising powers through council tax which they can use to fund local services. The Office of Budget

Responsibility forecasts 4% increase in council tax revenues which mirrors the increases seen over the austerity period in South Wales.

The chart below shows the historical changes in unitary authority funding within South Wales.



Based on the Welsh Government and IFS published numbers and the historical patterns of local taxation, the range of settlements for local government in cash terms could be as follows:-

	2021/22
Best Case	+1.00%
Worst Case	-1.00%

Beyond 2020/21 there are no projections on which to base assumptions around funding. Previous practice has been to assume a nominal change in settlement in respect of such periods.

Grants and other Funding Streams

As Welsh Government departments have seen their own budgets cut, there has been a regular trend of reductions or withdrawals of specific grant funding streams. The Service has seen these cuts already in the Community Safety initiatives it operates.

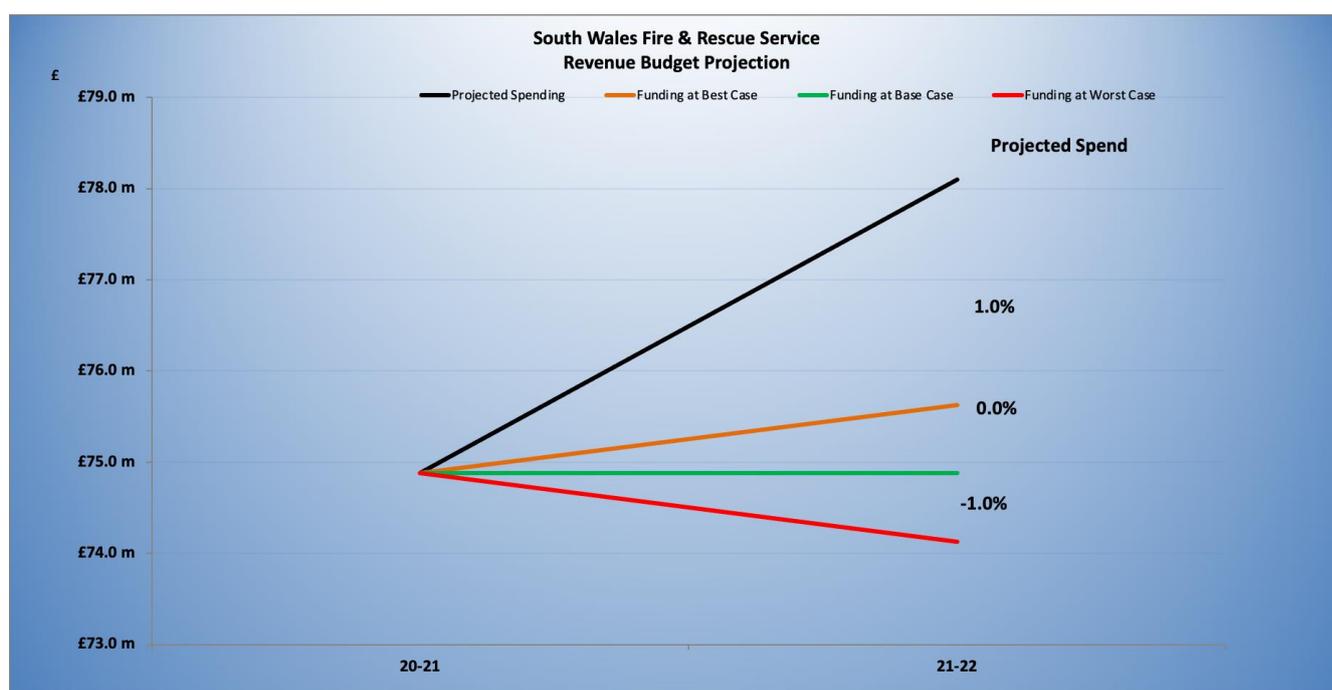
Given the trend and commentary to date on grant funding, it is reasonable to assume that these funding sources may be further withdrawn over the medium to longer term however, in advance of any announcements, it would be wrong to assume such reductions yet. The table below outlines the grants and contributions currently in payment together with the basis of forecasts.

Grant	2020/21 £'000	Received from	Forecast Basis
COMMUNITY SAFETY	518	WG	Continue - cash flat profile
COMMUNITY SAFETY	26	GWENT POLICE / NRW	Continue - cash flat profile
NATIONAL RESILIENCE/USAR	1,315	WG	Continue - cash flat profile
FIRELINK	632	WG	Continue - cash flat profile short term until ESMCP implemented

PENSION TOP UP GRANT	9,602	WG	Continue – excess funding required met in full by WG
PFI	1,043	WG	Pre-defined grant profile
PENSION SCAPE COSTS	2,852	WG	Continue – based on ongoing real costs
TOTAL FUNDING 20/21	15,988		

Projected Spend v Resources Assumptions

The graph below sets out the Service's estimated budget. It includes a range of resources based around the assumptions included in the plan.



	20-21	21-22	Deficit	
Projected Spending	£74.9 m	£78.1 m		
Best Case		£75.6 m	£2.5 m	3.5%
Base Case	£74.9 m	£74.9 m	£3.2 m	4.6%
Worst Case		£74.1 m	£4.0 m	5.7%

If local government resources were restricted to -1%, the worst case deficit position would be £4.0m (5.7%). This assumes of course that the Authority would only request funding in accordance with the assessed worst case local authority settlement. In practice, the Authority has to request the resources it requires to fund its services regardless of settlements. That said, the Authority has always striven to take account of the climate of public sector budgets in which it operates and to reduce the burden on its constituent councils wherever possible.

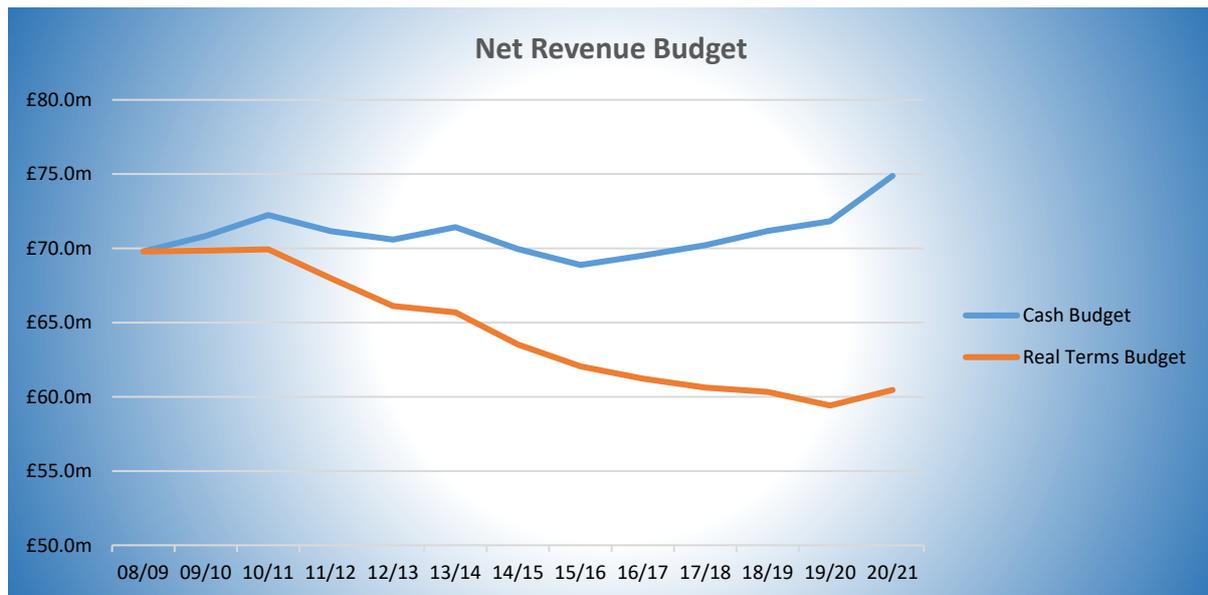
Welsh Government funding of the ongoing costs of firefighter pensions is critical to financial position of the Fire Authority and constituent councils as is any continued response to the Covid19 crisis.

Medium Term Financial Plan

To address the budget gap identified, the Service intends to manage down risk, unnecessary response, inflationary and other budget pressures whilst maximising income and making business processes as efficient as possible. Some of this work is part of an ongoing business delivery model whilst some of it depends on specific project work targeted at efficiency and savings.

Finance and Efficiencies

Since the commencement of the current economic downturn in 2008/09, the Authority has delivered approximately £15m real terms budget reduction. The chart below shows the trend in the revenue budget. It represents an estimated real terms reduction of around 20% in 12 years



The Authority has taken a number of approaches in relation to savings and efficiency over this period including reviews of fire cover, the Shaping Our Future Programme and various efficiency projects focussed on reducing expenditure and increasing income.

If there is a continued downward pressure on expenditure, it will become increasingly difficult to identify further financial savings without significant changes in what services the Authority provides and how it delivers them.

This could have implications for the public, businesses, operational partners and employees. To deliver the Authority's plan to reduce risk, services that are no longer affordable or less impactful may be delivered differently or, in some cases, stopped. Such changes would not be considered or implemented without Fire Authority approval following consultation and engagement.

Fire Cover Reviews

The Service continues to review fire cover across the whole South Wales Area. The most recent whole authority review resulted in the closure of several retained stations and a reduction in crewing at other sites. As part of that review, a number of identified station amalgamations and moves are still being held in abeyance. Availability of potential sites has created a delivery problem but these options remain open.

Shaping our Future Programme

The Authority has devoted resources to reviewing parts of the organisation to identify improvements and efficiencies. The programme continues to look at operational and back office business processes. As part of this coming budget cycle, consideration of areas for investment and savings within the structure of the Authority's staffing is being undertaken. These will be the subject of reports to the Fire Authority for consideration once developed.

Accounting Measures

The Authority, through its Finance, Asset & Performance Management Committee, has reviewed its budget for opportunities to create savings / budget reductions. This has included contingencies, inflation allowances, vacancy provisions, method of manpower budgeting and treasury management practice. The Authority will continue to monitor all of these aspects of the budget to identify further opportunities to drive down the underlying resource requirement where this is prudent and sustainable.

Reserves Policy

Under the 2003 Local Government Act, the Treasurer is required to make a statement to the Authority on the adequacy of reserves as part of the annual budget setting process. It is good practice for the Authority to have a reserves policy which is reviewed regularly. The Authority follows this practice, ensuring that liabilities and risks are adequately managed from a financial perspective.

General Reserves

General reserves are maintained to ensure financial stability in the longer term thus allowing the Authority time to plan, mitigate and deal with future financial challenges.

The reserve policy includes an assessment of financial risks and a quantification of those risks where this is possible. The overall value of general reserves held reflects the value of assessed risks, the overall quantum of the budget and previous experience of variations resulting from volatility in specific areas.

Due to the ongoing austerity measures facing the public sector in the UK, the financial risks in the overall budget remain high and the Authority is maintaining general reserves at a healthy level to reflect this. Fire Services in the UK remain under threat of industrial action which represents a further risk to continued service provision.

The financial strategy is predicated on no planned use of general reserves to fund ongoing revenue spending. The Authority regards this as an unsustainable financial planning parameter.

Earmarked Reserves

The Authority creates, maintains and utilises earmarked reserves to fund specific projects and liabilities as they are developed or identified. An overall change management reserve is maintained to fund projects aimed at increasing efficiency and improving or changing services. The Authority has little recourse to capital funds aside from borrowing and as such these earmarked reserves are also used to assist in meeting the financial demands arising from larger projects.

Reserve (Subject to audit)	Balance at 31/03/20 £000	Purpose
General Reserves	3,000	General financial resilience
Change Management Reserve	4,869	To fund projects aimed at efficiency, service improvement and change
Compartment Fire Behaviour Training (CFBT) Reserve	128	To fund the training facility at Cardiff Gate
PFI Equalisation Reserve	3,799	To balance out timing difference in grants and costs of the PFI Training Centre project at Cardiff Gate
Managed Under Spend Reserve	49	To meet costs of ongoing projects falling into the next financial year
Joint Control Lease Reserve	500	To finance the contribution to the Joint Control Facility in Bridgend
Total Revenue Reserves	12,345	

Treasury Management Strategy

The objective of the Authority's treasury management is to ensure that the Authority's cash, borrowing and investments are appropriately and efficiently managed within agreed financial and legislative parameters.

The Authority is required to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Codes covering such activities. In accordance with the Code, the Authority procures and retains the services of an external Treasury Management Advisor.

Reports on the Authority's Strategy and agreed parameters are approved prior to the commencement of each financial year. A half year progress report is made during the year and an annual report is received at the completion of each year end outlining performance and compliance.

Temporary borrowing is undertaken to fund short term cash flow deficits with long term borrowing being used to fund the Authority's capital requirements. Given the recent history of low interest rates, the Authority continues to pursue a policy of utilising internal cash balances (Internal borrowing) to minimise external interest costs. Forecasts for the UK and World economy are kept under review to determine if this strategy should change in response to potential interest rate rises.

The Authority's Capital Financing Requirement is the measure of its need to borrow to fund its capital requirements. This is forecast at £45.5m at March 2021 with external borrowing being estimated at £31.5m. The difference of £14m represents internal borrowing and the exposure of the Authority to increasing interest rates should it need to borrow externally. This exposure is forecast to rise to £19m by March 2023.

Exposure to increasing interest rates is mitigated by having a portfolio of external loans at fixed rates maturing over a range of short, medium and long dates. The profile of the Authority's debt maturity provides certainty over borrowing costs with around 40% maturing after 10 years or more.

Investment activity is minimised by the current borrowing strategy. However, when cash flow dictates, short term cash investments are made to approved counterparties to generate income.

Further detail on the relevant forecasts can be found in the Authority's approved Treasury Management Strategy.

Asset Management Plan

The Authority operates within fire and rescue stations, offices, workshops, training facilities and control room accommodation. At these sites, in order to assist us in delivering our service to the public, we also hold a large number of assets, ranging from our fleet of emergency response and support vehicles, operational plant and equipment, ICT equipment and other minor assets (such as office and station furniture, specialist clothing etc.).

In order for us to properly manage these assets it is necessary for the Service to have an Asset Management Strategy. This ensures that our assets are still fit for purpose and relevant for evolving service needs and changing legislative requirements. In addition as a large public sector owner of assets there is an overarching requirement for us to ensure value for money in the management and maintenance of these assets. To this end, our Asset Management Strategy determines the high level priorities where financial resources are to be targeted to meet service requirements.

Our Asset Management Strategy is supported by a number of management plans which provide the detail upon how our assets will be managed. These include:

- Land & Buildings
- Fleet
- Plant & Equipment
- ICT
- Minor Assets
- Procurement

These Operational Equipment Plans are an essential tool in how we manage our operational equipment assets. Regular reviews of our equipment are essential to ensure that it is still fit for purpose and suitable for our evolving service needs and changing legislative requirements.

As part of the public sector there is a responsibility for us to ensure value for money is obtained when we procure and maintain operational equipment. We also have a duty to ensure the health and safety of operational personnel using the equipment and that the equipment we provide is fit for purpose.

Capital Programme

Capital investment in assets is required to maintain an effective operational response and according a planned capital programme exists. The Fire Authority has little recourse to capital funding other than from self-financed borrowing and capital receipts from the disposal of surplus assets and accordingly, the financing costs of the programme fall on the revenue budget. Affordability is therefore key in making decisions about the level of investment that can be undertaken.

The programme contains elements to fund new or replacement assets as well as repairs and preventative maintenance for existing assets. The programme broadly covers the following categories of investment:

Property	Site acquisitions, new build, refurbishment and planned maintenance
Vehicles	Operational appliances and light vehicles
Equipment	Operational equipment including PPE
ICT	Hardware and software

Collaboration

Collaborative working with partner agencies is seen as a priority. This includes other emergency services, local authorities and the third sector in Wales but also other service providers on a national level. This collaboration delivers efficiency but also resilience which is especially important in a world subject to emerging global threats such as climate change and terrorism.

The service continues to seek other collaborative opportunities to improve outcomes for the population of South Wales but also to make efficiency savings.

National Issues Committee and Welsh Government (NIC)

All three Fire and Rescue Authorities in Wales have one common objective which is a safer Wales. The NIC was formed to actively promote and enable collaboration between the Services but also across the wider Welsh public sector. It also aims to achieve objectives detailed in Welsh Government strategic policies and programmes.

The aim of the NIC is to deliver measurable improvements, including greater efficiency and a more citizen focused service. There are currently eleven work streams:

- Business continuity
- Control
- Community risk reduction
- Common & specialist services
- Fleet & transport
- Health & safety
- Human resources
- ICT (shared services)
- Operations
- Procurement
- Training & development

Partnership with other 'blue light' services

There are obvious synergies between the work of the Service and that of other 'blue light' services across South Wales. Emergency services are often attending the same incidents in the same localities and can in certain circumstances provide resources to assist one another. These resources include employees, property and other assets.

Co-location of services within properties has begun to achieve cost efficiencies. A good operational example is Abertillery Fire Station which is now a tripartite facility housing police, fire and ambulance personnel.

The service is currently engaged with Mid and West Wales in delivering a joint control facility within the South Wales Police HQ. This facility was developed with a business plan to save around £1m per annum in running costs.

Recently the Service has been trialling an emergency medical response service. Fire service personnel and assets are now responding to certain categories of medical emergencies alongside paramedics and ambulances.

Partnership with local authorities and the third sector

The Service often comes face to face with the same service users of local authorities and the active third sector operating in the area. This provides opportunities to join up service provision when interfacing with service users and members of the general public in many communities.

Prevention activities are key in reducing risks for everybody within the Service Area and activities are now focussed on providing information and advice and sharing information across a wide range of operational front line services.

Workforce Strategy

The Authority employs around 1,700 staff as both operational firefighters and a range of professional and supporting roles. The nature of the Service means that 75% of expenditure is on staff or staff related budgets and there is a high expenditure on training and related matters.

The Service is part of collective bargaining agreements with both uniformed (grey book) and non-uniformed (green book) Trade Unions. Staff communication and engagement is high on the priorities of the Service to ensure staff fully understand the plans, rationale and motives of the Service.

Given the high percentage of staff costs, efficiencies or budget cuts inevitably impact on staffing levels. The Service tries to avoid redundancies wherever possible by using retirement and natural staff turnover to reduce numbers if required.

Risk Management

The Fire & Rescue Service National Framework for Wales and the Wales Programme for Improvement Framework requires the Service to consider risk management whilst discharging its statutory duties and take into account the risks facing the organisation when making strategic decisions.

Risk Management Framework

A risk is an event that has the potential to help or hinder the achievement of a strategic objective or the delivery of core business. All risks are rated as manageable (low), material (medium) or significant (high).

Directors, department heads and team leaders are responsible for identifying risks during the business planning process and taking the appropriate actions to manage or mitigate risk within their areas. Only risks that impact upon the achievement of a strategic objective or delivery of core business are monitored via the Corporate Risk Register. The Senior Management Team formally reviews the Corporate Risk Register on a regular basis and endorses the inclusion of any new or emerging risks identified

Financial Risks

The Service's current and future financial position and adequacy of resources are subject to regular review.

Budget monitoring is regularly undertaken with resources prioritised on key risk areas. Monitoring operates on a devolved and centralised model with budget holders across the Service at various levels of the organisation. The Service's Standing Orders and Financial Regulations set out procedures, roles and responsibilities to ensure accountability.

Key specific financial risks within the Strategy and Plan include:

- The national economy and public finances
- The level of interest rates and the cost of borrowing
- Variations in Inflation assumptions - 1% of pay equals £0.6m and 1% of price equals £0.2m
- Failure to deliver or late delivery of budget savings
- Project delays
- Withdrawal of key funding streams by Government
- The cost of pensions

SOUTH WALES FIRE & RESCUE AUTHORITYAGENDA ITEM NO 6.iii
28 SEPTEMBER 2020

REPORT OF THE TREASURER

2019/20 ANNUAL TREASURY MANAGEMENT REVIEW**SUMMARY**

To consider the results of treasury management activities for the year ending 31 March 2020, in accordance with the Authority's approved Treasury Management Strategy.

RECOMMENDATION

This committee recommend that the Fire & Rescue Authority note the annual treasury management review for 2019/20 and approve the actual 2019/20 prudential and treasury indicators set therein.

1. BACKGROUND

- 1.1 There exists a statutory and regulatory obligation for the Authority to comply with the reporting requirements detailed in Appendix 1. An 'Annual Treasury Management Review Report' is required to be presented to full Authority as soon after the close of the financial year as is practicable or by the 30 September at the latest. The purpose of this is to compare the actual position to the treasury management strategy set in advance of the year to confirm or otherwise, compliance and assess performance.

2. ISSUE

- 2.1 Effective treasury management can be measured by its budget impact i.e. financing costs and investment income, organisational solvency and cash flow.
- 2.2 The Authority receives annual bank deposits in the region of £90 million throughout any one year. In general, monthly bank payments can total as much as 8 million and are dependant on various factors. The timing of these cash flows can be uncertain and as such, it is imperative that the flow of cash in and out of Authority bank accounts is managed to support budget strategies and minimise risk.
- 2.3 The Authority contracts with 2 banking providers, i.e. Lloyds and Natwest. The main banking contract was awarded to Lloyds in February 2020 following a tender process after our contract with Barclays came to an end. We currently Natwest provide a contingency service to manage funds surplus to the counter party limits set by Members within the strategy, i.e. £10 million.

3. FINANCIAL IMPLICATIONS

3.1 Borrowing Outturn

The Authority maintains a competitive, average debt book rate of approx 4%. The current borrowing strategy is to utilise the Authority's cash reserves in the first instance and to undertake external borrowing for long term investment. During the year, long term borrowing reduced as a result of debt repayments and there were no new loans as cash inflows came from maturing investments. There was no debt restructuring undertaking in 2019/20.

3.2 Investment Outturn

Per the above, external investments have decreased during the year to negate the requirement for borrowing. This strategy has worked well in maintaining low borrowing costs as the first port of call for capital investment cash is maturing investments. Investment returns have also exceeded the budget for the year.

4. EQUALITY RISK ASSESSMENT

4.1 There are no equality implications resulting directly from this report.

5. RECOMMENDATION

5.1 This committee recommend that the Fire & Rescue Authority note the annual treasury management review for 2019/20 and approve the actual prudential and treasury indicators set therein.

Contact Officer:	Background papers:
Chris Barton Treasurer	<ul style="list-style-type: none"> - CIPFA Code Treasury Management - CIPFA Prudential Code - Treasury Management Strategy - Treasury Management Practices (TMP's)

APPENDIX 1

Annual Treasury Management Review 2019/20

1. Introduction

This Authority is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

During 2019/20 the minimum reporting requirements were that the full Authority should receive the following reports:

- an annual treasury strategy in advance of the year (11 February 2019 Fire Authority)
- a mid-year (minimum) treasury update report (10 February Fire Authority 2020)
- an annual review following the end of the year describing the activity compared to the strategy (this report)

The regulatory environment places responsibility on Fire Authority Members (Members) for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Authority's policies previously approved by Members.

This Authority confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Finance Audit & Performance Management (FAPM) Committee before they were reported to the full Authority. Member training on treasury management issues was undertaken should be undertaken at each Members 'home authority'.

2. The Authority's Capital Expenditure and Financing

The Authority undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Authority's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

£000's	2018/19 Actual	2019/20 Budget	2019/20 Actual
Capital expenditure	4,667	9,707	6,638
Financed in year	3,826	2,273	4,450
Unfinanced capital expenditure	841	7,434	2,188

3. The Authority's Overall Borrowing Need

The Authority's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Authority should ensure that its gross external borrowing does not, except in the short term, exceed the total of the CFR in the preceding year (2018/19) plus the estimates of any additional capital financing requirement for the current (2019/20) and next two financial years. This essentially means that the Authority is not borrowing to support revenue expenditure. This indicator allows the Authority some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Authority's gross borrowing position against the CFR. The Authority has complied with this prudential indicator.

£000's	31 March 2019 Actual	31 March 2020 Budget	31 March 2020 Actual
CFR	42,185	45,042	41,465
Gross borrowing position	37,592	34,762	31,168
Under funding of CFR	4,593	10,280	10,297

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. Once this has been set, the Authority does not have the power to borrow above this level. The table below demonstrates that during 2019/20 the Authority has maintained gross borrowing within its authorised limit.

The operational boundary – the operational boundary is the expected borrowing position of the Authority during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream.

	2019/20 £000's
Authorised limit	51,000
Maximum gross borrowing position during the year	31,168
Operational boundary	48,000
Financing costs as a proportion of net revenue stream budget/actual	6.04%/5.73%

4. Treasury Position as at 31 March 2020

At the beginning and the end of 2019/20 the Authority's treasury, (excluding borrowing by PFI and finance leases), position was as follows:

DEBT PORTFOLIO	31 March 2019 Principal	Rate/ Return	31 March 2020 Principal	Rate/ Return
Fixed rate funding:				
-PWLB	£29,939m		£26,443m	
-other	£1,048m		£0,035m	
Total debt	£30,987	4.29%	£26,478	4.37%
CFR	£42,185		£41,465	
Over / (under) borrowing	£11,198m		£14,951m	
Total investments	£6,186m		£0m	
Net debt	£24,801		£26,478	

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SOUTH WALES FIRE & RESCUE AUTHORITYAGENDA ITEM NO 6.iv
28 SEPTEMBER 2020

REPORT OF THE TREASURER

STATEMENT OF ACCOUNTS 2019/20**SUMMARY**

The Appointed Auditor is required to give his opinion on the financial statements for the year ended 31 March 2020. This report considers this as part of the statutory ISA260 report, the audited statement of accounts and the letter of representation.

RECOMMENDATIONS

That Members receive the ISA260 report of the Appointed Auditor and note the letter of representation contained therein (provided electronically).

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

1. BACKGROUND

- 1.1 The Treasurer to the South Wales Fire & Rescue Authority is responsible for the preparation of the statutory financial statements and information contained within the annual Statement of Account according to accepted accounting practices.
- 1.2 The Auditor General is also required to give an opinion on whether the financial statements of the Authority and the Fire Fighters Pension Fund Account give a true and fair view of the financial position as at 31 March 2020, and its income and expenditure for the year then ended.

2. ISSUE

- 2.1 The Treasurer approved the draft Statement of Accounts for 2019/20 on 31 May 2020, and these have been subject to the extended external audit process during June, July and August due to Covid-19.
- 2.2 The audit is now complete by Audit Wales (AW) and the appointed auditors and their statutory ISA260 report are final and attached. The auditors' report draws attention to corrected and uncorrected misstatements in addition to areas of uncertainty in general and especially due to the impact of COVID-19.
- 2.3 The audited Statement of Accounts will be published on the Authority's website following Fire Authority approval and Chair, Treasurer, Chief Fire Officer and Auditor endorsement.

- 2.4 The overall opinion of the external auditor is favourable. This is in no small measure down to the significant amount of work undertaken by the accountancy staff of the Fire & Rescue Service, together with support from external audit staff.
- 2.5 It is normal practice for the External Auditor to require a letter of representation from the Authority. A draft of this letter is contained within the ISA 260 report.

3. FINANCIAL IMPLICATIONS

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

4. RECOMMENDATIONS

- 4.1 That Members receive the ISA260 report of the Appointed Auditor and note the letter of representation contained therein (provided electronically).
- 4.2 That Members note the audited Statement of Accounts (provided electronically).

Contact Officer:	Background Papers:
Geraint Thomas Head of Finance & Procurement	Statement of Accounts 2019-20 AW ISA260 Report Report of the Auditor General to the South Wales Fire & Authority Letter of Representation

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:

	Values £000	%
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
Total (note 30)	71,827	100

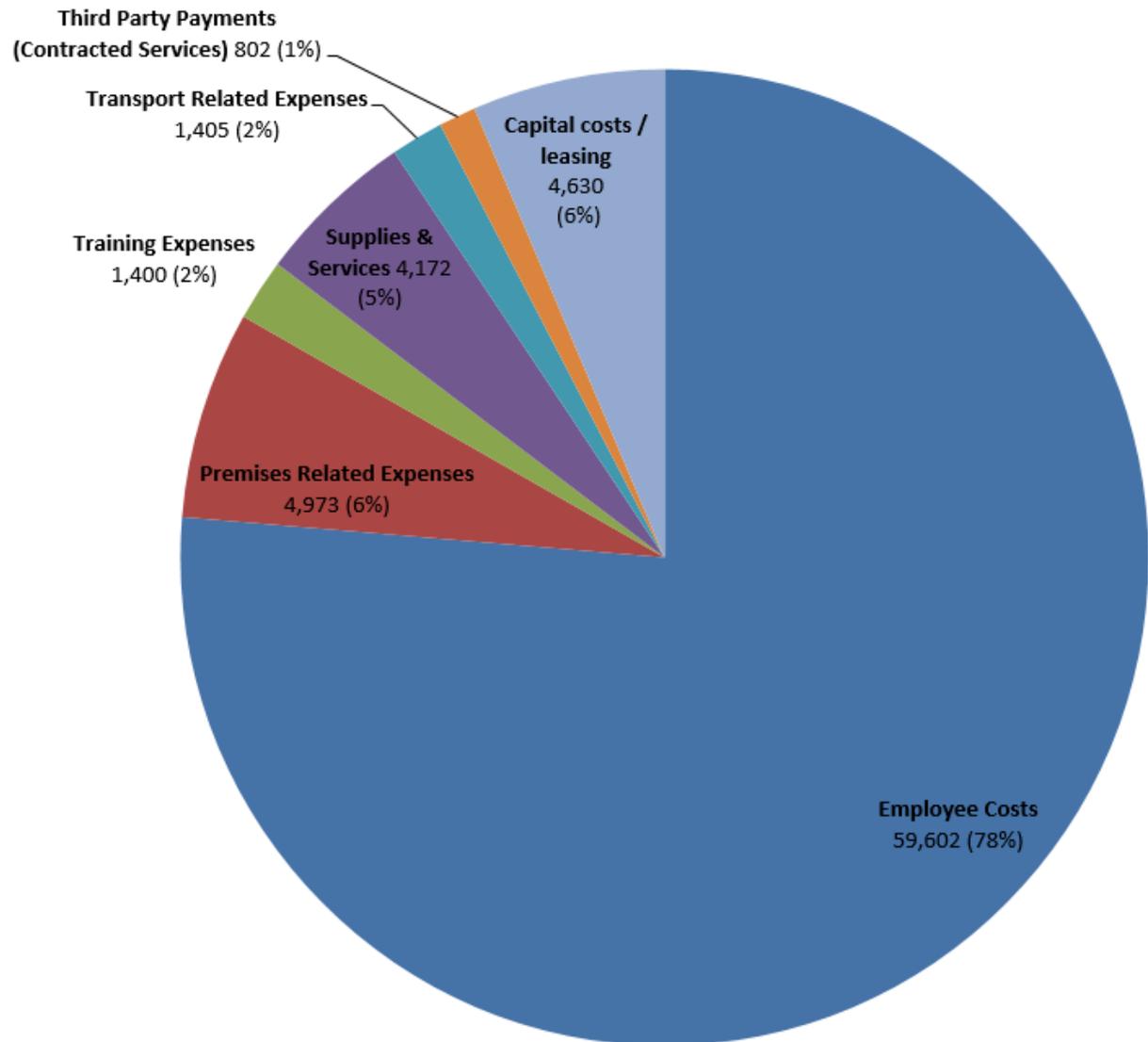
Financial Performance in 2019/20

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

Budget Outturn	Budget £000	Actual £000	Variance £000
Revenue			
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
Capital (inc slippage)			
Capital Spending (note 31)	9,707	6,638	3,069

Actual costs exceeded budget as a result of a change in employer pension contribution rates following the budget setting process. This is also the reason for the large income variance as Welsh Government funded approx. 90% of unbudgeted costs.

Expenditure by type 2019/20

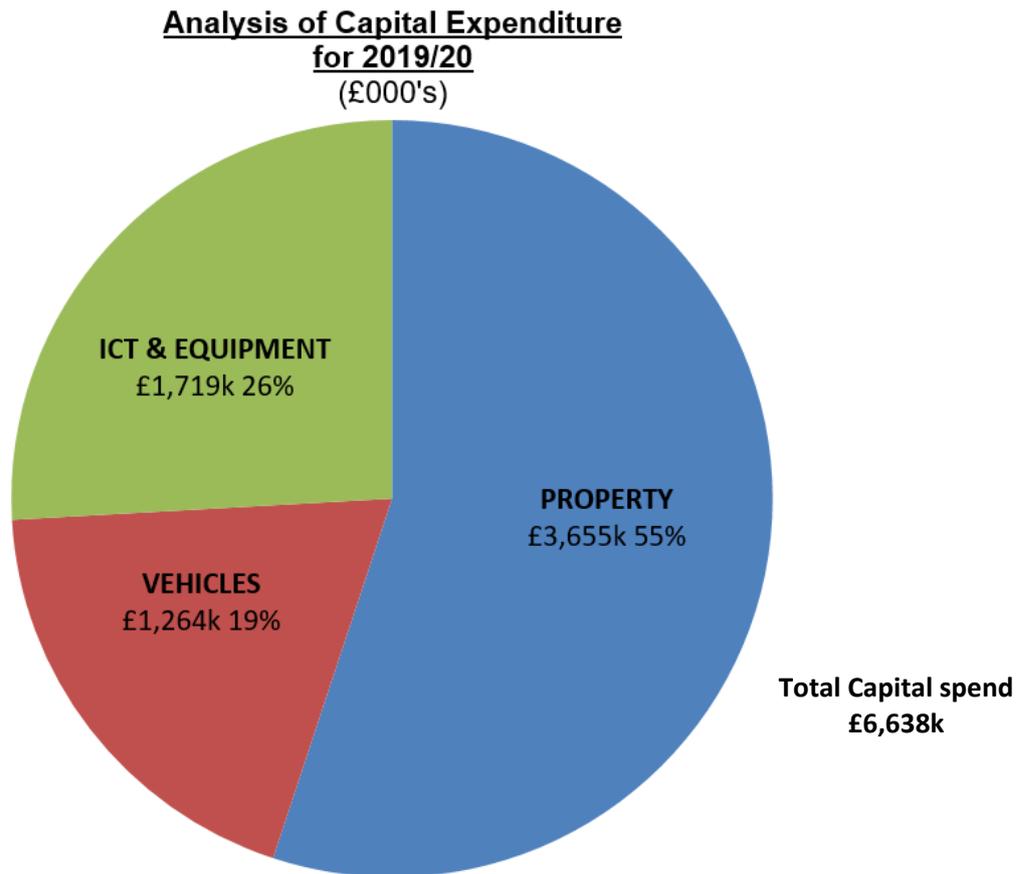


Analysis of Revenue Expenditure for 2019/20 (£000's)

- 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:	76,984
Income received for 2019/20:	(5,110)
Total Net Expenditure for 2019/20:	71,874

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) 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 £6 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 are 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 4.25% 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 1 deferral.

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 2020/21. 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.

The UK is currently in an 11 month transition period after leaving the European Union (EU) on 31st January 2020 although remains in the customs union and single market until this periods ends. The impact of the withdrawal is uncertain as is the effect on the local economy, funding and delivery of SWFRS services.

The worldwide Covid-19 pandemic has caused global disruption and recession. SWFRS has had to respond and adapt quickly with corporate staff working from home in a bid to support the necessary front line provision that is essential in keeping our communities safe and well.

The pandemic has posed significant challenges in sourcing and supply chains of personal protective equipment, hygiene products and mobile ICT as demand surged. The financial impact of Covid-19 on 2019/20 budgets and Statement of Accounts is limited although there is a

significant pressure in 2020/21 and financial assistance from Welsh Government is currently in discussion.

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).

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 2019/20 ("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 2020 and its income and expenditure for the year then ended.

Signature: _____ **Treasurer**

Date: 28 September 2020

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

Signature: _____ **Fire & Rescue Authority Chair**

Date: 28 September 2020

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 also considered departmental risks on 13 January 2020.

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).

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, 2019, 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).

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 would usually receive 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. Due to the Covid-19 pandemic the Fire Authority meeting that would normally receive these reports was cancelled. This activity will resume next year.
- 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 also provides assurance to SWFRA, through their [Annual Audit Letter – South Wales Fire and Rescue Authority 2018-19](#).

Auditor General's Opinion on the 2018 -19 Financial Statements

"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 set out the [Standards that apply to SWFRA](#) in September 2016 along with any exemptions and their implementation dates. SWFRA received the internal annual report on compliance against the standards in June 2019.

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 Service's 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 and was completed early in the 2019/2020 financial year.

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 engage with the Welsh Government White Paper on Reform of Fire and Rescue Authorities in Wales.

Impact of Covid-19 Pandemic 2019/2020

Whilst Covid-19 had little impact on the committee governance arrangements in 2019/2020, the 30 March 2020 Fire Authority Meeting was cancelled, following the government guidance at the time. Following the lockdown on the evening of 23 March 2020, a number of key decisions had to be taken and these were done under the emergency powers delegated to the Chief Fire Officer and Deputy Chief

Officer following Member authorisation obtained by email. A new process to allow our Members to continue to run Authority meetings remotely was put in place for 2020/2021.

In mid-March the Service stood up a Critical Incident Team (CIT) to manage the Service's response to both the developing pandemic and later the Welsh Government measures and restrictions across Wales. The CIT met three times a week to ensure that the Service evaluated all the information being forwarded by the UK and Welsh Governments and associated Public Health Organisations putting in place provisions to safely serve the communities of South Wales and support partner organisations.

Some activities such as working with young people, visiting schools and carrying out Safe and Well visits, and Fire Safety Audits were temporarily minimized. We continued to ensure those most at risk were as safe as possible, whilst also introducing innovative ways to deliver our interventions.

In the last two weeks of 2019/20 Covid-19 meant that the Service's business continuity processes were implemented on a scale never seen before. This enabled a very good level of Service to be delivered, including preparations for remote working. A review of the Strategic Risk Register and development of a specific Covid-19 Risk and associated control tasks was developed and maintained. The actions taken have ensured that the effects of the pandemic have been mitigated wherever possible. However as the pandemic continues into 2020/21, full and lasting effects are yet to be seen.

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 Service's 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 internal closure of the accounts at year end was a successful project for the second year running and the 31st May deadline was met, although audited accounts were not published by 31 July 2020 as members of the public were unable to exercise their right to inspect the accounts and ask questions of the auditor, due to the Covid-19 outbreak. Plans and preparations for maintaining the shortened timetable in 2020/21 are well underway using recent lessons learned.

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 Bill’s 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 assess any consequent impacts upon the Authority.

Covid-19 Impact (2020/2021 onwards)–

This Annual Governance Statement is a reflection of the operation of the Service during the whole of the 2019/2020 financial year. The impact of Covid-19 and business continuity arrangements implemented for the last 2 weeks of March 2020 and into 2020/2021, are not reflected in their entirety in this document, given the short period of impact in 2019/20. It is planned however, that the AGS for 2020/21 will contain more detailed information relating to the changes implemented as a response to Covid-19.

Using the powers contained within the Coronavirus Act 2020, the June 2020 meetings of the Authority were held virtually, using video conferencing software and were recorded for publication online. This will continue for the foreseeable future.

The Service has three distinct groups of employees, Operational Staff (Fire fighters), Joint Fire Control staff, and Corporate Staff all of whom were allocated as key workers. In order to continue to deliver critical services to the communities we serve the Service carried out robust Risk Assessments implementing actions to allow staff to socially distance, maintain good hygiene and work safely both within operational incidents and in the general workplace. Robust and effective processes to allow office-based staff to work from home were also implemented.

Operational response has continued to operate as normal and the Service has procured the required PPE (based on NFCC guidance) to ensure firefighters attending operational incidents are protected. Staff who can work from home are encouraged to do so whilst ensuring that all teams are represented effectively in the workplace. Some services were minimised until safer and more innovative ways of delivering these services have been developed. This work will continue in 2020/2021.

7. Governance Action Plans

Governance Action Plan 2019-2020					
Issue	Action	Outcome	Lead Officer	Completion Date	Progress
Faster Closure of Accounts	To approve and publish the accounts by 31 May and 31 July respectively from 31 st 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	The internal closure of the accounts at year end was a successful project for the second year running and 31st May deadline was met, although audited accounts were not published by 31 July 2020 as members of the public were unable to exercise their right to inspect the accounts and ask questions of the auditor, due to the Covid-19 outbreak. Plans and preparations for maintaining the shortened timetable in 2020/21 are well underway using recent lessons learned.

Governance Action Plan 2019-2020					
Issue	Action	Outcome	Lead Officer	Completion Date	Progress
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
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.

Governance Action Plan 2019-2020					
Issue	Action	Outcome	Lead Officer	Completion Date	Progress
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.

Governance Action Plan 2019-2020					
Issue	Action	Outcome	Lead Officer	Completion Date	Progress
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.

Governance Action Plan 2020-2021				
Issue	Action	Outcome	Lead Officer	Completion Date
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

Governance Action Plan 2020-2021				
Issue	Action	Outcome	Lead Officer	Completion Date
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
Covid-19 Response and Recovery	<p>To review the Services response to and recovery from the Covid-19 pandemic.</p> <p>Develop a Covid-19 Secure Workplace</p> <p>Deliver value for money and effective governance in a Covid-19 Environment.</p> <p>Identify new and innovative ways to deliver Services and Engage with the public in a post Covid-19 environment.</p>	<p>Improved business continuity plans to respond to and recover from future instances</p> <p>A robust Service able to deliver services with less disruption.</p> <p>The Service maintains the high standards of conduct with regard to financial administration and corporate governance,</p> <p>New ways of working to safely deliver Services and engage with our communities in person, remotely and virtually.</p>	Chief Fire Officer	March 2021

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:
Fire & Rescue Authority Chair	Chief Fire Officer
Date:	Date:
.....

AUDITOR'S 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 South Wales Fire and Rescue Authority for the year ended 31 March 2020 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, the Fire Fighters' Pension Fund and the related notes, including a summary of significant accounting policies.

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 2019-2020 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 as at 31 March 2020 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 2019-2020.

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.

Emphasis of matter – valuation of land and buildings

I draw attention to Note 2 to the financial statements, which describes a material valuation uncertainty clause in the valuation report of certain property items arising from circumstances caused by the Covid-19 pandemic. My opinion is not modified in respect of this matter.

Emphasis of matter – valuation of Rhondda Cynon Taf Pension Fund's property investment fund

I draw attention to Note 35 to the financial statements, which describes a material valuation uncertainty related to property investment funds managed on behalf of the Rhondda Cynon Taf Pension Fund. My opinion is not modified in respect of this matter.

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 Statement of Accounts 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 2019-2020;
- 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 set out on page 10, 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. This description forms part of my auditor's report.

Adrian Crompton
Auditor General for Wales
29 September 2020

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	83,693	-7,260	76,433
111,814	-3,938	107,876	Cost of Services	83,693	-7,260	76,433
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)	25,376	-79	25,297
0	-72,566	-72,566	Taxation and non-specific grant income (note 9)	0	-73,259	-73,259
			60,232 Deficit on Provision of Services			28,440
			Surplus or Deficit on Revaluation of Property, Plant and Equipment	2,295	-4,935	-2,640
			-8,840 Re-measurement of the net defined benefit (asset) / liability (note 22 & 35)			-85,770
			-8,840 Other Comprehensive (Income) and Expenditure (MIRS)			-88,410
			51,392 Total Comprehensive (Income) and Expenditure			-59,970

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
Balance as at 31 March 2019 carried forward	-3,000	-12,448	-901	-16,349	934,766	918,417
Total Comprehensive Income and Expenditure	28,440	0	0	28,440	-88,410	-59,970
Adjustments between accounting basis and funding basis under regulations (note 3)	-28,393	3,056	827	-24,510	24,510	0
Net (Increase)/Decrease before Transfers to Earmarked Reserves	47	3,056	827	3,930	-63,900	-59,970
Transfers to/(from) Earmarked Reserves	-47	47	0	0	0	0
(Increase)/Decrease in 2019/20	0	3,103	827	3,930	-63,900	-59,970
Balance as at 31 March 2020 carried forward	-3,000	-9,345	-74	-12,419	870,866	858,447

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

BALANCE SHEET

31 March 2019		31 March 2020	
£000		£000	Notes
79,614	Property, Plant and Equipment	82,924	10
176	Intangible assets	134	
500	Long Term Debtors	400	14
80,290	Long Term Assets	83,458	
727	Inventories	711	
6,186	Short Term Debtors	3,242	14
6,354	Cash and Cash Equivalents	1,900	15
13,267	Current Assets	5,853	
-9	Short Term Liabilities	-229	34
-4,855	Short Term Borrowing	-2,571	11
-4,030	Short Term Creditors	-4,647	16
-38	Provisions	-165	17
-8,932	Current Liabilities	-7,612	
-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	-911,624	35
-1,003,042	Long Term Liabilities	-940,146	
-918,417	Net Assets	-858,447	
-16,349	Usable Reserves	-12,419	18
934,766	Unusable Reserves	870,866	19
918,417	Total Reserves	858,447	

CASH FLOW STATEMENT

2018/19		2019/20
£000		£000
60,232	Net deficit on the provision of services (CIES & note 24)	28,440
-61,915	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 24)	-35,285
-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
-3,217	Net cash (inflow)/outflow from Operating Activities	-8,149
-455	Investing Activities (note 25)	6,460
4,622	Financing Activities (note 25)	6,143
950	Net (increase) or decrease in cash and cash equivalents	4,454
7,304	Cash and cash equivalents at the beginning of the reporting period	6,354
6,354	Cash and cash equivalents at the end of the reporting period (note 15)	1,900

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 2019/20 financial year and its position for the year ended 31 March 2020. 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 2019/20 (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 cash flow characteristics. There are three main classes of financial assets measured at:

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

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

Financial Assets Measured at Amortised Cost

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

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

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

GOVERNMENT GRANTS AND CONTRIBUTIONS

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

INVENTORIES AND LONG TERM CONTRACTS

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

LEASES

Finance leases

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

Operating Leases

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

PROPERTY, PLANT AND EQUIPMENT

Recognition

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

Property, Plant and Equipment are capitalised where:

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

Measurement (Valuation Basis)

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

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

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

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 2020 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)	<p>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.</p> <p>As a result of the Covid-19 pandemic, The Authority's valuers, Cooke & Arkwright, reported material uncertainty in the valuation report at 31 March 2020 in accordance with RICS Valuation</p>	If the useful life of assets is reduced depreciation increases and the carrying amount of the assets falls.

	– Global standards. The value of affected assets was £68.779 million.	
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
				Adjustments primarily involving the Capital Adjustment Account:				
				Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
-5,659	0	0	5,659	Charges for depreciation and impairment of non-current assets	-6,009	0	0	6,009
				Revaluation losses on Property Plant and Equipment				
92	0	0	-92	Capital grants and contributions applied	143	0	0	-143
				Fair value adjustment on assets held for sale				
				Adjustment to deferred liability on finance leases				
10	-10	0	0	PFI transactions to earmarked reserves	-62	62	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				
115	0	-114	-1		31	0	-31	0
-5,442	-10	-114	5,566		-5,897	62	-31	5,866
				Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
				Statutory provision for the financing of Capital Investment				
2,802	0	0	-2,802	Capital expenditure charged against the General Fund	2,909	0	0	-2,909
389	3,345	0	-3,734		454	2,994	0	-3,448
				Adjustments primarily involving the capital receipts reserve:				
				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	0	0	858	-858
3,191	3,345	0	-6,536		3,363	2,994	858	-7,215
				Adjustment primarily involving the Deferred Capital Receipts Reserve:				
				Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement				
				Adjustments primarily involving the Pensions Reserve:				
				Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	-36,762	0	0	36,762
-66,468	0	0	66,468	Employer's pension contributions and direct payments to pensioners payable in the year	11,242	0	0	-11,242
7,663	0	0	-7,663					
-58,805	0	0	58,805		-25,520	0	0	25,520
				Adjustment primarily involving the Accumulated Absences Account:				
				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	Total Adjustments:	-28,393	3,056	827	24,510

Note 4 – POST BALANCE SHEET EVENTS

In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. The pension actuary, the Government Actuary's Department, has calculated that the impact on the draft liability is a reduction of £8 million (1%) and this is now reflected in note 35.

The Statement of Account was authorised by the Treasurer, 28 September 2020. Events taking place after this date are not reflected in the financial statements or notes.

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	4,209	76,083
70,355	37,521	107,876	Net Cost of Services	71,874	4,209	76,083
-71,163	23,519	-47,644	Other Income and Expenditure	-71,827	24,184	-47,643
-808	61,040	60,232	(Surplus) / Deficit (Note 5 and Note 6)	47	28,393	28,440
-3,000			Opening General Fund Balance	-3,000		
-808			+/- (Surplus) / Deficit on General Fund	47		
808			Transfers to / (from) earmarked reserves	-47		
-3,000			Closing General Fund Balance at 31 March	-3,000		

	2019/20			
Adjustments from General Fund to arrive at the CIES Amounts	Adj's for Capital Purposes £000	Net change for the Pensions Adj's £000	Other Differences £000	Total £000
Fire Fighting Services	2,655	1,669	-115	4,209
Net Cost of Services	2,655	1,669	-115	4,209
Other income and expenditure from the Expenditure and Funding Analysis	-31	23,850	365	24,184
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services	2,624	25,519	250	28,393

	2018/19			
Adjustments from General Fund to arrive at the CIES Amounts	Adj's for Capital Purposes £000	Net change for the Pensions Adj's £000	Other Differences £000	Total £000
Fire Fighting Services	2,548	35,395	-422	37,521
Net Cost of Services	2,548	35,395	-422	37,521
Other income and expenditure from the Expenditure and Funding Analysis	-114	23,410	223	23,519
Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on the Provision of Services	2,434	58,805	-199	61,040

Note 6 - EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	2018/19 £000	2019/20 £000
Expenditure		
Salaries, NI & Superannuation	53,541	58,170
Pensions (ill health)	930	992
Travel & Subsistence	473	440
Total Employee Costs	54,944	59,602
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
(Surplus) / Deficit for the year	70,355	71,874

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	25,520
PFI operating costs	1,560	1,724
Financing adjustment 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 (excluding PFI & Leases)	-2,722	-2,899
Contribution to PFI	-920	-947

(Surplus) / Deficit on the Provision of Services	60,232	28,440
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This note is based on actual income and expenditure funded by our 10 Local Authorities and is net of projects and work streams funded by grants and additional unbudgeted income. Revenue budget monitoring reports are provided to Members throughout the year, grant income is reported separately to Members. Additional expenditure financed by grants amounted to £2.4m in 2019/20 (2018/19: £2.3m) of which £1.1m related to employee costs (2018/19: £1m) and £1.3m related to other costs (2018/19: £1.3m).

Note 7 - OTHER OPERATING EXPENDITURE AND INCOME

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

Note 8 - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2018/19		2019/20
£000		£000
1,699	Interest payable and similar charges	1,526
23,410	Pensions interest cost and expected return on pensions assets	23,850
-73	Interest receivable and similar income	-79
25,036	Total	25,297

Note 9 - TAXATION AND NON SPECIFIC GRANT INCOME

2018/19		2019/20
£000		£000
71,163	Local Authority Contributions (note 30)	71,827
281	Capital Grants & Contributions	350
1,122	Government Grants – PFI (note 34)	1,082
72,566	Total	73,259

Note 10 - PLANT, PROPERTY, EQUIPMENT (PPE)

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	0	0	6,561
Revaluation	727	0	84	0	811
Assets under construction	1,933	32	0	-1,965	0
Reclassification of PFI	-56	0	56	0	0
Adjustment for 16/17 disposals	0	621	0	0	621
Disposal of Assets	-10	-169	0	0	-179
Impairment	-9,854	-417	0	0	-10,271
Gross book value at 31 March 2020	62,889	35,080	5,890	0	103,859
<u>Depreciation and Impairments</u>					
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	0	621	0	0	621
Disposal of Assets	-10	-169	0	0	-179
Accumulated Depreciation on Revaluation	-9,284	0	-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
<u>Depreciation and Impairments</u>					
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
Accumulated Depreciation on Revaluation	-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
Borrowing	£000	£000	£000	£000
Financial liabilities (principal amount)	26,478	24,061	4,510	2,416
+ Accrued Interest (accrued interest is short term)	0	0	345	155
Total borrowings	26,478	24,061	4,855	2,571
PFI and finance lease liabilities	4,690	4,461	9	229
Creditors				
Financial liabilities at amortised cost	0	0	4,030	4,647
Investments				
Loans and receivables (principal amount)	0	0	0	0
+ Accrued interest	0	0	22	0
Cash and Cash Equivalents	0	0	3,500	0
Total investments	0	0	3,522	0
Total debtors	500	400	6,186	3,242

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:

Financial Instruments Gains and Losses				
	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	1,699	0	1,526	0
Interest income in Surplus or Deficit on the Provision of Services	0	73	0	79
Net gain/(loss) for the year	1,699	73	1,526	79

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	7,860
More than 10years	0%	95%	12,246	11,100
Total			30,987	26,478

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
Total debt		30,987	36,772	26,478	30,969

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	1,288	
1,774	Other Local Authorities*	1,584	
160	NHS Bodies	80	
583	Other Entities and Individuals	690	
6,686	Total	3,642	

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

Note 15 - CASH & CASH EQUIVALENTS

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

Note 16 - CREDITORS

31 March 2019		31 March 2020
£000		£000
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	845
0	Pension Fund Creditor - FFPF	914
498	Accumulated Absences (note 23)	837
4,030	Total	4,647

Note 17 - PROVISIONS

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

Note 18 - USABLE RESERVES

Balance at 1 April 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019		Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020
£000	£000	£000	£000		£000	£000	£000
6,674	-1,697	918	5,895	Change Management Reserve	-1,146	120	4,869
0	-100	700	600	Joint Control Lease Reserve	-100	0	500
3,851	0	10	3,861	PFI Equalisation Reserve	-62	0	3,799
101	-10	25	116	Managed Under Spend Reserve	-67	0	49
4,349	-2,373	0	1,976	Compartment Fire Behaviour Training (CFBT) Reserve	-2,348	500	128
787	0	114	901	Capital Receipts	-858	31	74
3,000	0	0	3,000	General Fund	-47	47	3,000
18,762	-4,180	1,767	16,349	Total Usable Reserves	-4,628	698	12,419

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

- The revenue over spend has been transferred to the change management reserve. 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.
- 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

31 March 2019		31 March 2020
£000		£000
-12,001	Revaluation Reserve (note 20)	-14,017
-25,605	Capital Adjustment Account (note 21)	-27,578
971,874	Pensions Reserve (note 22)	911,624
498	Accumulated Absence Reserve (note 23)	837
934,766	Total Unusable Reserves	870,866

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	Balance at 1 April	-12,001
0	Revaluation Adjustment	-4,935
0	Impairment adjustment	2,295
1,236	Difference in fair value and historical cost depreciation	624
-12,001	Balance at 31 March	-14,017

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	Capital Adjustment Account	2019/20 £000
-23,400	Balance as at 1 April	-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
-25,605		-27,578

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
921,910	Balance at 1 April	971,874
-8,840	Remeasurements of the net defined benefit liability (asset)	-85,770
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	36,762
-7,663	Employer's pensions contributions and direct payments to pensioners payable in the year	-11,242
971,874	Balance at 31 March	911,624

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.

2018/19		2019/20
£000		£000
-514	Balance at 1 April	-498
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
-498	Balance at 31 March	-837

Note 24 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

2018/19 £000		2019/20 £000
60,232	Net Deficit on the Provision of Services	28,440
	Adjustments to Net Deficit for Non Cash Movements;	
26	Increases/(Decrease) in stock	-16
1,714	Increase/(Decrease) in debtors	-3,036
679	(Increase)/Decrease in creditors	-396
-5,659	Depreciation charge (inc impairment)	-6,009
114	Gain on asset disposal	31
-58,805	IAS 19 adjustments	-25,519
16	Other non cash-items charged to the net deficit on the provision of services	-340
-61,915	Less Total	-35,285
	Adjustments for items included in the net deficit on the Provision of Services that are Investing and Financing Activities;	
-1,699	Interest Payable	-1,526
73	Interest Receivable	79
92	Capital Grants	143
-1,534	Less Total	-1,304
-3,217	Net Cash Flow from Operating Activity	-8,149

Note 25 - CASH FLOW – INVESTING AND FINANCING ACTIVITIES

2018/19		2019/20
£000		£000
4,746	Purchase of property, plant and equipment, investment property and intangible assets	6,629
-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	0
-92	Capital Grants received	-143
-455	Net cash (in)/outflow from investing activities	6,460
-86	Other receipts from financing activities	-93
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
4,622	Net cash (in)/outflow from financing activities	6,143

Note 26 - MEMBERS' ALLOWANCES

During 2019/20, under the Local Authorities (allowances for Members of Fire Authorities) (Wales) Regulations 2004, the following annual rates were payable;

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

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

* Service Delivery C was temporarily promoted on 24/01/2020 to provide cover for Service Delivery B sick leave

* 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:

Salary Bracket	Number 2018/19	Number 2019/20
£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.

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

Note 28 - EXTERNAL AUDIT COSTS

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

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)

2018/19	Revenue	2019/20
£000		£000
742	Community Risk Reduction (WG)	748
1,010	New Dimensions and USAR Funding (WG)	1,164
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 (WG)	2,977
2,856		6,046
	Capital	
24	USAR Vehicle (WG)	0
68	MTFA Vehicle (WG)	0
0	Mobile Data Terminal's (MDT's) (WG)	143
92		143

* 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 st 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
	71,827	306	0	8

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 st March, 2020	
			Income £	Expenditure £	Owed to Authority (Debtor) £	Owed by Authority (Creditor) £
Law Society	FAPM Member - Membership	2	0	2,470	0	0
Aneurin Bevan	FAPM Member-Nominee	12	0	55,674	0	9,189
Coleg Gwent	FAPM Member-Employment	39	0	6,650	0	234
Gwent Police	Deputy Chief Officer - Spouse	12	25,990	63,680	0	10,724
NCC	FAPM Member - Membership	3	310	3,645	0	0
Purple Shoots	Deputy Chief Officer - Friend	2	0	2,136	0	2,136
National Trust	FAPM Member - Membership	1	310	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 applicable to the public sector.

Joint Operations

In April 2014 South Wales Fire and Rescue Service (SWFRS) entered into a Memorandum of Understanding with South Wales Police and Mid and West Wales Fire and Rescue Service (MAWWFRS) to work together to establish a Joint Public Service Centre (JPSC). In October 2017 the JPSC WENT "live". SWFRS and MAWWFRS have joint control of the operation and the agreed approach 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 FRs. 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
Revenue				
Staff Expenditure	2,680	1,608	2,717	1,630
Non-Staff Expenditure	156	78	124	62
Total Expenditure	2,836	1,686	2,841	1,692
Intangible Asset - Command & Control System				
Gross Book Value	308	154	308	154
Accumulated Amortisation	(62)	(31)	(126)	(63)
Net Book Value	246	123	182	91

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
44,146	<i>Opening Capital Financing Requirement (CFR)</i>	42,185
4,667	Property, Plant and Equipment investment	6,638
4,667	Total Additions	6,638
	<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
42,185	<i>Closing Capital Financing Requirement (CFR)</i>	41,465
	<i>Increase in underlying need to borrow</i>	
-1,961	Increase/(Decrease) in CFR	-720

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
0	Capital Receipts	857
4,667	Total	6,638

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 2020, 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
Unitary Charge							
	Service Charge	1,560	1,724	1,456	6,118	7,902	370
	Interest	391	358	451	1,619	1,883	158
	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 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earning scheme (CARE).

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

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

(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 1st 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 £26 million (*31 March 2019, £24 million*) and for the Fire Fighters' schemes the liability was £894 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. The High Court published its judgment in the Lloyds Banking Group case on the equalisation of GMP that pensions must be equalised for the effects of unequal GMP and the Government has committed to addressing GMP equalisation. Following discussions through the Finance Working Group covering most public service pension schemes, there was general consensus that a past service cost is required during 2019/20 in respect of the additional liabilities in respect of members reaching State Pension age after 6 April 2021. This additional past service cost has been included in the disclosures

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.

2018/19 £000	Movements on Pension Reserve	2019/20 £000
	Income and Expenditure Account	
	Net Cost of Service	
	Current Service Cost	
-15,410	- Fire Fighters	-23,060
-2,490	- Local Government Pension Scheme	-3,210
	Past Service Cost	
-40,820	- Fire Fighters	2,700
-815	- * Local Government Pension Scheme	0
16,478	Top Up Grant	10,658
	Net Operating Expenditure	
	Interest Cost	
-22,790	- Fire Fighters	-23,290
-2,210	- Local Government Pension Scheme	-2,170
	Expected Return on Pension Assets	
0	- Fire Fighters	0
1,590	- Local Government Pension Scheme	1,610
-66,467	Total Post-employment benefit charged to the surplus or deficit on the provision of services	-36,762
	Remeasurements of the net defined benefit liability (asset)	
6,200	- Fire Fighters	85,600
2,640	- * Local Government Pension Scheme	170
-57,627	Total Post-employment benefit (charged)/credited to the C.I.E.S	49,008
	Movement on Reserve Statement	
921,910	Opening Balance 1 April	971,874
57,627	Reversal of Net Charges for IAS 19	-49,008
	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
49,964	Movement on Pension Reserve	-60,250
971,874	Closing Balance	911,624

*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	-885,690
Estimated share of liabilities in the Rhondda Cynon Taff Pension Fund	-63,980	-80,250	-85,480	-91,335	-91,164
Total liabilities	-762,040	-929,810	-983,030	-1,039,184	-976,854
Share of assets in the Rhondda Cynon Taff Pension Fund	48,520	57,780	61,120	67,310	65,230
Net Pension Deficit	-713,520	-872,030	-921,910	-971,874	-911,624

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

Adjustment to discount rate	+0.1%p.a.	-0.1%p.a.
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

Adjustment to salary increase rate	+0.1%p.a.	-0.1%p.a.
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

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

Post retirement mortality assumption

Adjustment to discount rate	-1 year	+1 year
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.

Impact on defined benefit obligation	%	£ million
Rate of discounting scheme liabilities +0.5%p.a.	-9.0%	-77
Long term rate of increase in salaries +0.5% p.a.	1.0%	8
Rate of increase in pensions / deferred revaluation +0.5% p.a.	7.0%	62
Life expectancy: each pensioner subject to longevity of an individual 1 further year younger than assumed	3.0%	28

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:

	%
2020	
Equity Investments	63.7
Bonds	26.8
Other Assets	9.5
Total	100.0
2019	
Equity Investments	64.5
Bonds	25.1
Other Assets	10.4
Total	100.0

The overall return on pension assets was 3% for 19/20 (2018/19: 9.9%)

The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial and property markets. Due to these market conditions, material valuation uncertainty clauses have been included in year-end valuation reports related to RCT Pension Fund's UK property investment funds.

The total value of these investments as at 31st March 2020 is £209m, of which South Wales Fire Authority's share amounts to £4.1m (1.96%).

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	2018/19	Liabilities	2019/20	2019/20
---------	---------	-------------	---------	---------

£000 Fire Fighters	£000 LGPS		£000 Fire Fighters	£000 LGPS
-897,550	-85,480	Balance as at 1 April	-947,849	-91,335
-15,410	-2,490	Current Service cost	-23,060	-3,210
-22,790	-2,210	Interest	-23,290	-2,170
-4,090	-530	Contributions by scheme members	-4,160	-560
6,200	-1,860	Actuarial Gains and Losses	85,600	3,630
26,881	2,050	Benefits Paid	24,780	2,481
-40,820	-815	Past Service Cost	2,700	0
-270	0	Transfers in	-411	0
-947,849	-91,335	Pension Liabilities at Year End	-885,690	-91,164

Changes to the fair value of assets during the accounting period

2018/19		2019/20
£000	Assets	£000
LGPS		LGPS
61,120	Balance 1 April	67,310
1,590	Return on Pension Assets	1,610
4,500	Actuarial Gain/Losses on Assets	-3,460
1,590	Contributions by employer	1,690
530	Contributions by Scheme members	560
-2,020	Net benefits paid out*	-2,480
67,310	Pension Assets at Year End	65,230

* 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 'Rule B5C' of the Fire Pension Scheme and USAR allowances. The Authority believes that it has no further financial liability in respect of these cases however, it is possible that the group of pensioners / employees 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

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)

2018/2019		2019/2020
£000	Income to the fund	£000
	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
-10,054	Total Income to the Fund	-13,512
	Spending by the Fund	
	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
26,456	Total Spending by the Fund	24,024
16,402	Net amount payable for the year	10,512
-16,402	Annual top up grant receivable from Welsh Government	-10,512
<u>0</u>	Net amount payable for the year	<u>0</u>

2018/2019	Net Asset Statement	2019/2020
£000		£000
	Current Assets;	
3,502	Top up grant due from Welsh Government	0
0	Payments in advance to pensioners	0
	Amount owed from general fund	914
<u>3,502</u>		<u>914</u>
	Current Liabilities;	
-3,502	Top up grant due to Welsh Government	-914
	Amount owed to general fund	0
<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 1st 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 30 (including 1 deferred member) Fire Fighters retired compared to the estimate of 36. At the year end WG was a creditor of the Pension Fund with a value of £914k.

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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Audit of Accounts Report – South Wales Fire and Rescue Authority

Audit year: 2019-20

Date issued: September 2020

Document reference: 2003A2020-21

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

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

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

We intend to issue an unqualified audit report on your Statement of Accounts with two Emphasis of Matter paragraphs drawing attention to disclosure notes in your accounts. There are some significant issues to report to you prior to their approval.

Audit of Accounts Report

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Introduction

- 1 We summarise the main findings from our audit of your 2019-20 Statement of Accounts in this report.
- 2 We have already discussed these issues with your Treasurer.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £2.2 million for this year's audit of the main financial statements and at £0.480 million for the Fire Fighters' Pension Fund.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
 - Senior Officer salaries £1,000
 - Senior Officer/Member Related Parties £10,000
- 6 We have substantially completed this year's audit work.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in a timely way in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

Exhibit 1 – impact of COVID-19 on this year’s audit

Timetable	<p>Your officers provided us with draft accounts that were certified by the Treasurer on 31 May 2020 as planned. This is in line with last year and complies with regulatory deadlines.</p> <p>Due to the lockdown and social distancing restrictions we delayed the dates for members of the public to exercise their accounts inspection rights. It is important that members of the public can exercise those rights if they wish to. As a result, the audit will not be formally signed off until September.</p>
Electronic signatures	<p>The Chair/Treasurer and Auditor General used electronic accounts to approve and certify the accounts respectively.</p>
Audit evidence	<p>Due to social distancing measures, Audit Wales staff are currently working remotely from home. All information was received electronically.</p> <p>We have used software such as Starleaf and Microsoft Teams to discuss issues with your staff, request documentation or review systems directly by sharing our desktop screens.</p>

- 10 With remote working, the audit this year has been elongated. We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

Proposed audit opinion

- 11 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**. We also intend to include two Emphasis of Matter paragraphs in the report to draw attention to two disclosure notes in your accounts. This matter is set out in **Exhibit 2** below.
- 12 We issue a qualified audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 14 Our proposed audit report is set out in **Appendix 2**.

Significant issues arising from the audit

Uncorrected misstatements

- 15 We set out below one misstatement we identified in the accounts, which we have discussed with management but which remains uncorrected. We request that this is corrected. If you decide not to correct this misstatement, we ask that you provide us with the reason in writing for not correcting it:
- lump sums due to pensioners – £208,000 due to pensioners are incorrectly classified as Authority creditors rather than Fire Fighters' Pension Fund creditors, with a corresponding misstatement in the amount due from the Authority to the Fire Fighters' Pension Fund.

Corrected misstatements

- 16 We identified a number of misstatements and omissions in the accounts that have now been corrected by management. Those we judge should be drawn to your attention are set out with explanations in **Appendix 3**.

Other significant issues arising from the audit

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year as shown in **Exhibit 2**.

Exhibit 2 – significant issues arising from the audit

Significant issues arising from the audit	
<p>Emphasis of matter – valuation of property assets</p>	<p>The first emphasis of matter relates to the impact of the COVID-19 pandemic on the valuation of land and buildings as at 31 March 2020. As a result of COVID-19, and in accordance with specific guidance issued by their professional institute, the Authority's valuer declared a 'material valuation uncertainty' in their valuation report, with a total valuation of £68.779 million. The Authority has used this valuation report to inform the measurement of property asset values in the accounts at that date, as described in Note 2.</p>
<p>Emphasis of matter – property investment funds related to the pension fund</p>	<p>The outbreak of the COVID-19 pandemic has impacted on global financial and property markets. Due to these market conditions, material valuation uncertainty clauses have been included in year-end valuation reports related to the Rhondda Cynon Taf Pension Fund's UK property investment funds. The total value of these investments as at 31 March 2020 is £209 million and the Authority's share amounts to £4.1 million.</p>

Significant issues arising from the audit

<p>McCloud/Sergeant: post year-end remedy proposal</p>	<p>In December 2018, the Court of Appeal ruled against the Government, holding that changes made to pension schemes discriminated against a group of firefighters and a group of judges on the grounds of age. These cases are referred to as McCloud/Sergeant. The costs of providing a remedy to affected employees may be significant.</p> <p>Last year we concluded there was sufficient evidence that these judgements applied to both the Fire Fighters' Pension Scheme and the Local Government Pension Scheme and, based on the Government Actuary Department assessment of the impact, the resulting estimates were applied to your scheme liabilities and the financial statements adjusted. Details were set out in our 2018-19 Audit of Accounts Report. Since that ruling, the Government has been considering a remedy and on 16 July 2020 it issued a proposal for consultation. Although the proposed remedy remains subject to uncertainty, it provides further evidence of the likely impact of the McCloud/Sergeant ruling on pension liabilities. Pension actuaries each provided a broad assessment of what the impact of the proposal might be. Whilst the impact on the Local Government Pension Scheme is not expected to be material, the impact on the Fire Fighters' Pension Scheme was estimated at £8.2 million. Consequently, an updated actuary's report taking into account the impact of the proposed remedy on the Fire Fighters' Pension Scheme was obtained, and the accounts updated.</p>
<p>Quality of draft accounts</p>	<p>The draft accounts provided for audit included many simple errors, including casting errors, typographical errors and instances where disclosures had not been updated for 2019-20.</p> <p>Whilst supporting working papers were generally good, there were some instances where information in the draft accounts did not agree to the underlying accounting records. For example, pension disclosures did not agree to the actuarial valuation reports as these had not been updated to reflect audit adjustments in 2018-19, and the balance in the net assets statement did not agree to the ledger.</p> <p>COVID-19 has inevitably impacted on quality this year, and for next year the Authority should look to reinstate robust quality assurance arrangements.</p>

Recommendations

- 18 We will report recommendations arising from our audit separately. There are no issues sufficiently significant to warrant bringing to your attention. We will follow up progress against them during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2019-20 Statement of Accounts

This letter is provided in connection with your audit of the financial statements (including the remuneration disclosures that are subject to audit) of South Wales Fire and Rescue Authority for the year ended 31 March 2020 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

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

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the Statement of Accounts in accordance with legislative requirements and The Code of Local Authority Accounting; in particular, that the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

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

Statement of Accounts representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the Statement of Accounts.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

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

All events occurring subsequent to the reporting date up to the date of certification have been considered and those which require adjustment or disclosure have been adjusted for or disclosed.

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

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There is one uncorrected misstatement, a summary of this item is set out below:

- lump sums due to pensioners – £208,000 due to pensioners are incorrectly classified as Authority creditors rather than Fire Fighters' Pension Fund creditors, with a corresponding misstatement in the amount due from the Authority to the Fire Fighters' Pension Fund. We do not consider this to be a material misstatement and no adjustment has been made.

Representations by the Fire and Rescue Authority

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

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Fire and Rescue Authority on 28 September 2020.

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

Signed by:

Signed by:

Chris Barton
Treasurer

Councillor Tudor Davies
Chair, Fire and Rescue Authority

Date:

Date:

Proposed Audit 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 South Wales Fire and Rescue Authority for the year ended 31 March 2020 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, the Fire Fighters' Pension Fund and the related notes, including a summary of significant accounting policies.

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 2020 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 as at 31 March 2020 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 2019-2020.

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.

Emphasis of matter – effects of COVID-19 on the valuation of land and buildings

I draw attention to Note 2 to the financial statements, which describes a material valuation uncertainty clause in the valuation report of certain property items arising from circumstances caused by the COVID-19 pandemic. My opinion is not modified in respect of this matter.

Emphasis of matter – valuation of Rhondda Cynon Taf Pension Fund's property investment fund

I draw attention to Note 35 to the financial statements, which describes a material valuation uncertainty related to property investment funds managed on behalf of the Rhondda Cynon Taf Pension Fund. My opinion is not modified in respect of this matter.

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 12 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 Statement of Accounts 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 2019-2020; and
- 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 nor 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 set out on page 10, 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. This description forms part of my auditor's report.

Adrian Crompton
Auditor General for Wales
29 September 2020

24 Cathedral Road
Cardiff
CF11 9LJ

Summary of corrections made

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

Exhibit 3: summary of corrections made

Value of correction	Nature of correction	Reason for correction
£8.170 million and narrative disclosure of event after the balance sheet date	Reduction in the pension fund liability, matched by a reduction in total expenditure, to reflect the impact of the Government's proposed remedy for McCloud/ Sergeant. Disclosure note updated to reflect that the issue of a consultation on proposals to remedy the McCloud/ Sergeant pension issue is an adjusting event after the balance sheet date.	Initial report obtained from the actuary assumed more fire fighters would meet the eligibility criteria for remedy.
£2.434 million	Grant income that had been netted off expenditure was reclassified as income.	Income and expenditure should be recorded gross, rather than netted off.
£0.680 million	Net reduction in the pension fund liability, matched by a net reduction in total expenditure.	Initial reports obtained from the actuaries did not include up-to-date information.

Value of correction	Nature of correction	Reason for correction
£0.348 million	Reclassification of capital grants and contributions	Capital grants and contributions were incorrectly classified as income within the 'Cost of Services' in the Comprehensive Income and Expenditure Statement. This does not comply with the Code of Practice which states that such income should be classified as 'Taxation and non-specific grant income'.
£0.914 million	Increase in both debtors and creditors.	An amount due to the Fire Fighters' Pension Fund was incorrectly netted off debtors.
£1.554 million	Increase in the amount due to the Welsh Government, as recorded in the Fire Fighters' Pension Fund.	The balance due to the Welsh Government was incorrectly recorded in the net asset statement.
£10.658 million	Pension costs reclassified in the 'adjustments between accounting basis and funding basis' analysis disclosure (note 3).	The analysis of certain pension transactions was incorrect.
Annual Governance Statement and Narrative Report	The Annual Governance Statement and Narrative Report were updated to provide additional information on the impact of the COVID-19 pandemic on the Authority's governance framework.	To ensure best practice in reporting.

Value of correction	Nature of correction	Reason for correction
<p>Narrative disclosure to explain the material uncertainty in pension fund property investment valuations</p>	<p>Note 35 An additional paragraph was added to this note to describe the impact of material uncertainties disclosed in pension fund manager year-end valuation reports for the UK property investment funds managed on behalf of the Rhondda Cynon Taf Pension Fund.</p>	<p>To ensure compliance with the Code of Local Authority Accounting and International Accounting Standards.</p>
<p>Narrative disclosure to explain a material uncertainty relating to property asset valuations</p>	<p>Note 2 An additional paragraph was added to this note to describe the impact of a material valuation uncertainty clause included in the valuer's valuation report.</p>	<p>To ensure compliance with the Code of Local Authority Accounting and International Accounting Standards.</p>



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We welcome correspondence and telephone calls in Welsh and English.
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.

SOUTH WALES FIRE & RESCUE AUTHORITYAGENDA ITEM NO 6.v
28 SEPTEMBER 2020

REPORT OF THE ASSISTANT CHIEF OFFICER PEOPLE SERVICES

**HM TREASURY CONSULTATION ON CHANGES TO 2015 SCHEMES
TRANSITION ARRANGEMENTS****SUMMARY**

To advise Members of the HM Treasury (HMT) consultation on proposals to rectify unlawful age-based transitional protection arrangements in the 2015 Pension Schemes. To formalise and agree an 'employers response' to the consultation.

RECOMMENDATION

1. That Members note the response from the Scheme Advisory Board Wales (SABW) following HM Treasury's request for technical feedback, as per Appendix 1 attached to the report
2. That Members review and agree the proposed draft Service response set out in Appendix 2 attached to the report.

1. BACKGROUND

- 1.1 In 2018, court cases (Sargeant/McCloud) in respect of the 2015 firefighters and judges' pension schemes ruled that the arrangements to 'protect' those pension scheme members closest to retirement constituted unlawful age discrimination.
- 1.2 In July 2019, the Chief Secretary to the Treasury confirmed that the difference in treatment between 'protected' and 'unprotected' members would need to be rectified across all public sector schemes for all members within scope.
- 1.3 The Scheme Advisory Board Wales was invited earlier in the year to provide technical feedback to the Treasury on their two lead proposals. The proposals a 'Deferred Choice Underpin', and an 'Immediate Choice', would give scheme members a choice between membership of the 2015 Scheme, and their previous Scheme for the remedy period. A copy of the Scheme Advisory Board Wales response is attached at Appendix 1.
- 1.4 At its meeting on 24 July, the Scheme Advisory Board Wales invited members to share their organisation's response to the consultation with Welsh Government officials, and to provide a separate response from each of their respective organisations. This report and the draft response from South Wales Fire & Rescue Service at Appendix 2 is presented to Local

Pension Board Members for review and comment prior to it being considered by the Fire & Rescue Authority at its meeting on 28 September.

2. TREASURY CONSULTATION

2.1 HM Treasury published its full public consultation, including its Equality Impact Assessment on 16 July, 2020. The consultation can be accessed via the following link:-

<https://www.gov.uk/government/consultations/public-service-pension-schemes-consultation-changes-to-the-transitional-arrangements-to-the-2015-schemes>

2.2 The key proposals in the consultation document are as follows:-

2.2.1 Members in scope are those who were in service on or before 31 March, 2012, and on or after 1 April 2015, including those with a qualifying break in service of less than 5 years, across all affected public service schemes. This is irrespective of whether they have submitted a legal claim or not, or whether they are currently active, deferred or pensioner members.

2.2.2 The proposals would cover 1 April 2015 to 31 March 2022, which the consultation refers to as the 'remedy period'. After that, all active members, including those who received aged-based protection in 2015, would transfer into the 2015 schemes. The final salary link for members with service in the 'legacy schemes' i.e. those which existed before 2015, will be retained.

2.2.3 Members will be able to choose between receiving legacy or 2015 scheme benefits for the remedy period.

2.2.4 As with the technical consultation, views are sought on two possible approaches to making this choice: - an Immediate Choice, or a Deferred Choice Underpin.

3. FIREFIGHTER SCHEMES IN WALES

3.1 Decisions regarding the details of how the discrimination identified by the Court is addressed in the Welsh firefighter's schemes for the remedy period are a matter for Welsh Ministers. On this basis, Ministers may decide to consult separately on the consultation. However, at the Scheme Advisory Board Wales meeting held on 24 July, it was confirmed by Welsh Government officials that the HM Treasury consultation sets out fair, clear and comprehensive proposals for the remedy period to 31 March, 2022. It was also stated that consideration to the responses to, and outcome of the HM Treasury consultation will be considered before consulting on the

Wales scheme changes to implement final remedy. In doing so, the views of Scheme Advisory Board Wales, the Welsh Fire & Rescue Services', and firefighter representative bodies, will be considered.

- 3.2 HM Treasury has undertaken an Equality Impact Assessment of the consultation proposals. The Welsh Government will complete its own impact assessment as part of its decision making process once the HM Treasury consultation closes. The Welsh Government will then publish its own consultation on detailed scheme changes.

4. LEGISLATIVE IMPACTS

- 4.1 Primary legislation dealing with public sector pension schemes remains reserved to UK Parliament. Therefore, proposals to close the legacy schemes on 31 March, 2022, to all members are a matter for HM Treasury. Similarly, issues relating to tax for the remedy period remain a reserved matter.

5. FINANCIAL CONSIDERATIONS

- 5.1 The consultation document states that the total cost of paying out unfunded public service pension scheme benefits (such as fire schemes) amounted to £41.8 billion in 2018-2019, with most of the costs being met by the tax payer. The costs associated with removing unlawful discrimination are estimated to be in the region of £17 billion for the remedy period. These costs are based on the 2016 valuation data and assumptions. The costs of removing the discrimination will feed into future employer contribution rates once the 2020 scheme valuations are completed.

6. EQUALITY RISK ASSESSMENT

- 6.1 When formulating policy proposals, the UK Government is required to comply with the Public Sector Equality Duty in the Equality Act 2010. The consultation document is supported by a comprehensive Equality Impact Assessment document. The consultation document states that some of the proposals may have differential impacts, but the Government's current view is that these will not have a disproportionate or otherwise unjustified impact on individuals.

7. RECOMMENDATIONS

- 7.1 That Members note the response from the Scheme Advisory Board Wales (SABW) following HM Treasury's request for technical feedback, as per Appendix 1 attached to the report

7.2 That Members review and agree the proposed draft Service response set out in Appendix 2 attached to the report.

Contact Officer:	Background Papers:
ACO Alison Reed Director of People Services	Appendix 1 – SABW response to HMT’s request for technical feedback Appendix 2 – Draft response for SWFRS

FIREFIGHTERS' PENSION SCHEME ADVISORY BOARD FOR WALES

Jonathan Crisp
Senior Policy Adviser
Pensions Remedy Project (McCloud) Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Jonathan.Crisp@hmtreasury.gov.uk

11 March 2020

Dear Mr Crisp

ADDRESSING AGE DISCRIMINATION IN THE 2015 PENSION SCHEMES TRANSITIONAL ARRANGEMENTS – THE FIREFIGHTER PENSION SCHEMES IN WALES

Thank you for providing the Firefighter Pension Scheme Advisory Board for Wales (SABW) with the opportunity to contribute to the technical discussions regarding HM Treasury's proposals for transitional protection remedy prior to full public consultation.

You indicated in the "context" section of your January 2020 options paper that you were keen to gain the views of employee representatives on the two lead proposals, and to test their deliverability and technical feasibility with employers and administrators. To that end, we have ensured that the two administrators for the firefighter pension schemes in Wales have been involved in our discussions. SABW has also sought the views of the schemes' software provider and the Government Actuary's Department.

General Views

SABW feels unable to provide definitive views on the proposals set out in the paper. Whilst we appreciate HM Treasury engaging with us at a formative stage, the lack of clarity on some key issues has limited our ability to provide a detailed response. We therefore look forward to this clarity being provided in the public consultation. This will need to include a clear position from the UK Government on the date for the end of the remedy period and, in particular, more detail on how the Treasury and HMRC propose dealing with member tax implications.

SABW undertook a great deal of work during the 2016 valuation process which was not ultimately used because the cost cap mechanism was suspended. We were therefore pleased that the Treasury has consulted us at an early stage and we hope that our input into this process will be of assistance. SABW welcome this opportunity to make non-binding preferences based on the information and options suggested at this time. However HM Treasury must recognise that these views and preferences may differ in subsequent responses to the suggested formal consultation expected in Spring 2020.

Employees' Views on the two Remedy Proposals

Employee representatives' had a strong preference that the remedy proposal should be the 'Deferred Choice Underpin'. They believe it minimises the risk of members making decisions based on wrong or incomplete information. Employee representatives' felt that there would not be enough information to make a choice of this importance required by the immediate option. For example they felt that Immediate Choice would mean individual members not being able to take into account future circumstances such as their health, pensionable pay and career progression. Decisions regarding age of retirement are also likely to have a significant impact on members' choices. This is a particular issue where remedy requires choice between the 2007 and the 2015 firefighter pensions schemes, because the early retirement factors in the 2015 scheme in Wales are significantly better than those in the 2007 scheme.

Deferred Choice would allow members to base their decisions on actual service, actual circumstances and real life events rather than having to make assumptions based upon a best estimate approach. They suggested that this is the only way to insure against the risk of future legal challenges. FBU colleagues suggest that there is potential for a further age discrimination case to be brought if members are only given Immediate Choice. This would be on the grounds that older members would be in a better position to make a correct decision; younger firefighters would know less about their future and so would be more likely to make a wrong decision.

Employee representatives are, though, concerned about the impact of proposals in the paper for scheme members' "default scheme" during the remedy period where "in scope" members would be placed back into their legacy scheme and pay the appropriate contributions. Employee representatives, while supporting the deferred option, have suggested that HM Treasury should be open to an amendment which would prevent individuals being placed into a default scheme when there is a strong indication that they would not be subsequently making this choice. For example whilst almost all members would be better off with 1992 scheme benefits, the position between the 2007 and 2015 pension schemes is not as clear cut: many members would be likely to receive greater benefits under the 2015 scheme. This would potentially mean two sets of subsequent contribution adjustments (and associated tax adjustments) being required for a group of members who appear likely to choose 2015 scheme membership for the remedy period. SABW would, therefore, ask HM Treasury to recognise that legacy schemes are not necessarily more beneficial and that defaulting members back into the 2007 Scheme in particular could prove both complex and inequitable.

Views of employers and scheme administrators

Employers and scheme administrators have significant concerns with Deferred Choice and query whether such a remedy :-

- goes significantly beyond the remedy required to remove age discrimination resulting from the relevant court cases
- would create a precedent for future scheme changes, in the sense that members might expect a “best option” choice for future scheme changes.

Employers’ main concerns are focussed on the additional cost and administrative burden that Deferred Choice would entail:-

- **Scheme Liabilities** – During the 2016 valuation, the Treasury committed to reviewing the cost cap mechanism. You will, of course, be aware of the views of some employee representatives who have challenged the suspension of that mechanism by means of judicial review. Employers are clearly also concerned with the impact that remedy might have on future valuations and the potential consequences for employer contributions.

Employers are also concerned with the significant uncertainty that Deferred Choice would introduce in addition to the above. Under the Immediate Choice option we assume GAD’s valuations would be undertaken in a similar way to the current approach with only one set of assumptions required. Under Deferred Choice, though, both options would have to be valued and the highest cost used for each valuation period. Although uncertainty would reduce over time and with each valuation, there is a clear risk that the Deferred Choice will add volatility to the valuation process and consequent implications for contribution rates and member benefits.

- **Cost and Burden of Administering the schemes** - It is important to recognise the circumstances for administering the firefighter schemes are not the same as those for some of the larger public sector schemes. Firefighter schemes in Wales (and England) are managed by individual FRAs. These are relatively small organisations whose resources are heavily focussed on front line services, with little provision for administrative functions. Indeed, we suspect FRAs are among the smallest public bodies to manage their own pension schemes. Their ability to absorb substantial change and the cost of such change is significantly less than larger public sector organisations. The same can also be said of the scheme administrators. Rather than being administered by an England and Wales agency, such as is in place for the NHS, the firefighter schemes in Wales are administered by two local authorities on behalf of the three FRAs.

Employers therefore have clear concerns regarding how remedy will be implemented and who will meet the costs of implementation. Scheme managers’ and administrators’ concerns include:-

- The complexity of having to reflect two sets of options in annual benefit statements both in terms of administrators having to provide the details and appropriate explanation to members and, in terms, of potential complexity

adding to confusion for scheme members. Similar concerns are raised regarding pension saving statements.

- The need to maintain members' records for the remedy period for possibly the next 30-40 years.
- The deferred choice option would add further complication to the implementation of any future scheme changes.
- Even under the Immediate Choice option, FRAs will have to maintain members' records for both schemes for the length of the remedy period.

Issues Regarding Software

Both proposals (Immediate or Deferred Choice) would require a software system capable of calculating both final salary and career average benefits. The software provider is confident that a system can be provided to deal with this for firefighter pensions. This will, however, take time to design and so there will clearly need to be a reasonable lead in time between changes to scheme regulations and implementation.

SABW looks forward to hearing the outcome of the further deliberations on the valuation and tax questions before finalising its views on the current options and fully intends to take part in the formal consultation later this year.

Yours sincerely



Michael Prior
Chair
Firefighter Pension Scheme
Advisory Board for Wales

APPENDIX 2**Draft SWFRS response to HMT consultation**

Question 1

Do you have views about the implications of the proposals set out in this consultation for people with protected characteristics as defined in section 149 of the Equality Act 2010? What evidence do you have on these matters? Is there anything that could be done to mitigate any impacts identified?

SWFRS response:

The Equality Impact Assessment that accompanied the consultation documents appears to cover all relevant points.

The position relating to 1 April 2022 supports equality from the perspective that all members will be placed into a reformed scheme from this date, regardless of age, race or sex, or any other protected characteristic.

In term of the retrospective changes, the principle of awarding “qualifying service” to those with a break of 5 years will serve to ensure those who have needed to take a period of leave, eg as a result of childcare requirements, would not be discriminated against.

Question 2

Is there anything else you would like to add regarding the equalities impacts of the proposals set out in this consultation?

SWFRS response:

Nothing to add other than to reflect on the equalities impact data. Whilst it is helpful to base decisions on confirmed data, it is also recognised that individuals are not mandated to share their diversity information with their employer. This should be borne in mind when undertaking an equalities impact assessment of the proposals.

Question 3

Please set out any comments on the proposed treatment of members who originally received tapered protection. In particular, please comment on any potential adverse impacts. Is there anything that could be done to mitigate any such impacts identified?

SWFRS response:

In terms of the proposals outlined in the consultation document, the proposed treatment of members who received taper protection appears to meet the requirements of the remedy to the case, which was to remove unlawful age discrimination. By placing the decision into the hands of the individual will allow them to consider which option best suits their individual circumstances. That said, both options outlined in the consultation are quite complex and involve individuals understanding them in detail and making a choice with the default position involving staying in their current scheme and making a decision at retirement.

The proposals suggest that all members, whether originally fully protected, taper protected or unprotected, will be able to choose legacy scheme benefits or reformed scheme benefits for the whole remedy period. They will not however be given the choice to have legacy benefits for some of the period and reformed for the rest and we recognise that this approach seeks to avoid adding further complexity and additional challenge for employers and administrators. This latter point may well be drawn out through the consultation responses.

Question 4

Please set out any comments on our proposed treatment of anyone who did not respond to an immediate choice exercise, including those who originally had tapered protection.

SWFRS response:

As outlined above, it is important for individuals to fully understand the options available to them. As important is the record keeping, so that organisations have a clear audit trail in relation to choices made, including where there hasn't been a choice made.

Question 5

Please set out any comments on the proposals set out above for an immediate choice exercise.

SWFRS response:

This option would see members make an irrevocable decision as to whether to accrue benefits in their legacy or reformed pension scheme for the remedy period. For most members this would be made in the period after the end of the remedy period though may be sooner for some if they take a pension award before 2022. The timeframe proposed for making a decision of 12 months seems appropriate.

The immediate choice option requires a vast amount of work to be undertaken in a short space of time and appears to carry the greatest risk of future challenge because of the requirement to make an immediate choice. Furthermore the associated risks of accurately predicting a scheme member's entitlements to future benefits, could put the Scheme Manager's at risk should assumptions made at this time transpire to be incorrect upon the time of drawing the benefits. However, it does appear to be the easier option to manage from a budgetary and workforce behaviour perspective. Parallel running of systems would be required in order to ensure the schemes run in parallel for the duration of the period remedy. From a resourcing perspective, this option will need additional short-term resources to enable immediate choices to be accommodated.

Question 6

Please set out any comments on the proposals set out above for a deferred choice underpin (DCU)

SWFRS response:

This option would see eligible members accrue benefits in their legacy scheme for the remedy period regardless of whether they originally had transitional protection or not. Individuals would remain members of the legacy scheme, but if they opted for reformed scheme benefits, they would be paid those benefits within the legacy scheme by means of a "statutory underpin". This option provides members with clarity as to what they would receive under each option and so could choose whichever is better for them.

This option would mean that members are better informed of the benefits available to them at the point of retirement and therefore can make a better informed decision. This option appears to lessen the risk of a future legal challenge. The main costs associated with this option appear to be in relation to the setting up of new systems and processes. Extending the choice period to retirement is likely to increase actuarial costs, however, the longer term may provide a smoothing effect. The longer term nature of this option may be challenging for employers in terms of their long term

planning, workforce planning and administrative resourcing. It will be important for member to understand their benefits which may require additional investment in projection tools.

Additional SWFRS response:

From a Service perspective, our view is that any remedy proposal should be easy to administer, cost effective for the tax payer and provide the ability for pension scheme members to clearly understand the choices available to them.

It will be important to ensure individuals fully understand the impact and outcomes described in the consultation document and whilst there are some worked examples, further more detailed examples covering all professions would be helpful.

Question 7

Please set out any comments on the administrative impacts of both options

SWFRS response:

Where schemes are local and unfunded (such as Fire Pensions), the costs of administration, management and governance of the schemes lies with the scheme manager and is borne out of the FRA operating accounts.

As previously stated, from a Service perspective, our view is that any remedy proposal should be easy to administer.

The main areas of consideration from an administrative perspective are:

The implications, from a **software perspective**, will need to be considered, including the lead in time for changes to software. Depending upon the outcome and agreed way forward, the costs may be significant. For immediate choice, there will be considerable software changes in order to cater for an underpin based on FPS 2015 benefits. For deferred choice, additional software changes to continue supporting this choice would be less significant as the bulk of the work is likely to be in calculating the benefits during the "remedy period". The timescales for the software companies to make changes to the systems are likely to be in the region of at least twelve months.

From a purely **administrative perspective**, there will need to be new processes developed for immediate choice. For deferred choice, whilst the bulk of the cost is likely to be in the set-up costs, there will be a requirement to document instructions and decisions made during the remedy period to ensure those dealing with administering the future scheme have the necessary understanding to process the benefits in accordance with the regulations.

There may need to be manual calculations undertaken for immediate choice and in the short term, the resources required for immediate are likely to need to be increased. For deferred, this may have advantages of being more manageable as the work is spread over a longer period, thereby providing some planning time and also smoothing any costs. It will be important to ensure the timeframes for action and implementation are sufficiently planned so that employers can resource and implement the outcomes of this consultation.

Payroll data will need to be able to be provided with likely more pressure on the immediate choice option. Less so with deferred choice as this would extend the possibility for final salary link so the employer salary data would need to be maintained.

The DCU leaves a degree of uncertainty in the costs and potential liabilities of the scheme going forward. This has practical and cost implications in terms of GAD valuations and audit of the schemes for many years to come. Whether they are 'material' issues in the context of the overall scheme remains to be seen.

Question 8

Which option, immediate choice or DCU, is preferable for removing the discrimination identified by the Courts and why?

SWFRS response:

The deferred choice underpin provides the greatest degree of choice to those affected and appears to remove the discrimination.

Question 9 – does the proposal to close legacy schemes and move all active members who are not already in the reformed schemes into their respective reformed scheme from 1 April 2022 ensure equal treatment from that date onwards?

SWFRS response:

The proposal to move all active members to a reformed scheme from 1 April 2022 appears to achieve an approach based on equal treatment. This option therefore meets the brief of an approach that is free of discrimination on any grounds.

Question 10 – please set out any comments on our proposed method of revisiting past cases.

SWFRS response:

The proposed method outlined here provides parity in the treatment of those currently in receipt of pensions and active scheme members. There may be complexity associated with potential tax implications.

Question 11 – Please provide any comments on the proposals set out above to ensure that correct member contributions are paid, in schemes where they differ between legacy and reformed schemes?

SWFRS response:

In terms of contributions, we recognise that this is a complex landscape. The proposals set out seem to be appropriate in the context of the legacy schemes particularly for firefighters. Where there are monies owed, the repayment period appears to be consistent with the special members exercise whereby members were provided with an option of either electing to pay by lump sum or via periodic contributions over a 10 year period, or up to the point where a member becomes entitled to receive payments of benefits, whichever came earlier. These options had interest included in the values.

The requirement to potentially adjust member contributions twice under the DCU is an additional administrative requirement for both the scheme employer and the scheme administrators.

Question 12 – please provide any comments on the proposed treatment of voluntary member contributions that individuals have already made.

SWFRS response:

Nothing further to add.

Question 13 – please set out any comments on our proposed treatment of annual benefit statements

SWFRS response:

As set out previously, it is important that individuals understand their pension benefit entitlements.

Under immediate choice, it would appear there would be minimal impacts to annual benefit statements following the member's decision as there would be clarity on scheme membership going forward.

If in the future, individuals are likely to receive two different benefits statements, it will be important that all elements, including any tax implications, are accurate. The issue of tax owed and the statutory 4 year time limit will need to be considered.

Question 14 – please set out any comments on our proposed treatment of cases involving ill-health retirement.

SWFRS response:

Member choice for those who have already retired on ill health grounds will provide individuals with options.

For cases where ill-health retirement is in progress, it will be important to prioritise these at the time of implementing the policy approach.

From an administrative and cost perspective, it is likely that additional resources will be needed to review all affected cases, particularly when there will be choice to be made. The Independent Qualified Medical Practitioner (IQMP) will need to be involved in any agreed approach.

Question 15 – please set out any comments on our proposed treatment of cases where members have died since 1 April 2015.

SWFRS response:

The proposed treatment of cases where members have died since 1 April 2015 appears right. Each case would be required to be treated with a degree of sensitivity. It may be prudent to consider formally notifying individuals where there are survivors benefits involved, at least at the outset, and to confirm next steps.

Question 16 – please set out any comments on our proposed treatment of individuals who would have acted differently had it not been for the discrimination identified by the Court.

SWFRS response:

In cases such as these, we believe further work on an individual case basis, should be carried out, for the reason that where people knowingly opted out and made a choice, they knew what they were "giving up". As the position will have changed as a result of the determination by the Courts, we believe there may be further legal

challenge from people in this group, if they are not awarded a “review” of the decision they initially reached.

Question 17 – if the DCU is taken forward should the deferred choice be brought forward to the date of transfer for Club transfers?

SWFRS response:

If DCU is taken forward, it should be brought forward to the date of transfer. This would simplify the Club administration.

Question 18 – where the receiving Club scheme is one of those schemes in scope, should members then receive a choice in each scheme or a single choice that covers both schemes?

SWFRS response:

A single choice that covers both their pension accrued in their old and new employment.

Question 19 – please set out any comments on our proposed treatment of divorce cases

SWFRS response:

Nothing further to add as the proposal appears to be in line with the remedy.

Question 20 – should interest be charged on amounts owed to schemes (such as member contributions) by members. If so, what rate would be appropriated?

SWFRS response:

Interest should be charged on amounts owed to schemes as this was the case with the special members exercise and therefore should follow the same principle. We therefore believe this exercise should follow a similar approach. However, it is expected that the rates and values of interest over the period in question would be nominal and should ultimately reflect the Bank of England base rate.

Question 21 – should interest be paid on amounts owed to members by schemes? If so, what rate would be appropriate?

SWFRS response:

As per previous response.

Question 22 – if interest is applied, should existing scheme interest rates be used (where they exist) or would a single, consistent rate across schemes be more appropriate?

SWFRS response:

Yes, as before.

Question 23 – please set out any comments on our proposed treatment of abatement

SWFRS response:

The Service supports the principle that following an employee's choice (whether immediate or deferred), any abatement amounts deducted should reflect the pension payable as a result of that choice.

Question 24 – please set out any comments on the interaction of the proposal in this consultation with the tax system.

SWFRS response:

It would be preferable if agreement with HMRC on a national level, could be reached on the tax elements of the proposal as this would negate the requirement for each FRS to respond to tax issues on a local level.

It would also be helpful to highlight that the onus is on the individual employee to keep their own tax records and to ensure the correct tax is paid at the right time to avoid penalties and interest.

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SOUTH WALES FIRE & RESCUE AUTHORITY

AGENDA ITEM NO 6.vi

28 SEPTEMBER 2020

REPORT OF THE ASSISTANT CHIEF OFFICER TECHNICAL SERVICES**STRUCTURAL FIREFIGHTER PPE REPLACEMENT PROCUREMENT****SUMMARY**

The three Welsh Fire & Rescue Services have worked collaboratively to identify the most suitable providers of replacement structural firefighter PPE for all Wales. A working group comprised of staff from each of the Welsh Services has conducted a thorough consultation and procurement process. The criteria of suitability of product, suitability of delivery dates, price and whole life cost profile were considered to evaluate potential service providers.

RECOMMENDATION

That Members endorse the appointment of Ballyclare Ltd as the Service providers for manufacture and managed care of structural firefighters PPE for a period of up to ten years and note the timelines for rollout of the new PPE across the Service

1. BACKGROUND

- 1.1 The three Fire & Rescue Services in Wales have agreed, through the All Wales Strategic Procurement Board, that the supply and managed care of Firefighter Structural PPE would be undertaken collaboratively in order to work as cost effectively as possible and allow us to work towards a common style and standard throughout Wales.
- 1.2 A project team was directed by the National Issues Committee Operations Programme Board to collaborate on the purchase of new Structural Firefighter PPE. The current kit was purchased in 2010 and whilst still functional and fit for purpose, there has been increased market development in terms of safety and design. The vast majority of current kit is nearing their 'wash life' and as such will need replacing. Structural Fire kits have a 'wash life', of around 40 washes which under normal use equates to around 10 years of serviceable use. There have been vast improvements in technology of design and materials that allows modern fire kits to give us the protection we require and improved breathability which has caused issues previously in regards to heat stress in Firefighters. SWFRS Firefighters will be safer and more comfortable in a modern fit for purpose structural Fire Kit. The decision to test the market on an All Wales basis was made due to the limited kits available on existing frameworks and the market development since these frameworks were

introduced. A very competitive process has allowed us to purchase a Fire kit well within our pre conceived budget estimates.

- 1.3 Following extensive market engagement, South Wales FRS led on the procurement of the new All Wales Firefighter Structural PPE in line with EU Procurement regulations. Six suppliers submitted a total of ten Fire kits for the first stage shortlisting exercise. Following shortlisting this was reduced to the top five kits being evaluated against performance at trials, managed care, contract management, price and corporate social responsibility, which included disposal, packaging and sustainable development.
- 1.4 The performance trials were conducted at Mid & West Wales FRS Training Facility by sixteen personnel for the three Wales Services set in a range of scenarios and providing detailed feedback. Due to the numbers involved, these trials were one of the largest of their kind ever undertaken in the UK for Firefighter PPE. This was followed by further on-station trials carried out by an additional twenty five wearers.
- 1.5 The results of the user trials were used in conjunction with tender returns to make the final evaluation.
- 1.6 Prior to contract award the procurement process was challenged by an unsuccessful supplier which South Wales FRS successfully defended. Advice received from the Services external legal provider recommended formal acceptance of the Ballyclare Ltd offer on an All Wales basis.
- 1.7 The new Firefighter Structural PPE provides additional benefits over current kit including a comprehensive improvement on breathability thus reducing the risk of heat stress to Firefighters and enhancing Firefighter safety. Heat stress is a key area of Firefighter safety and previously thermal protection has made breathability a difficult asset to improve on. The new kit has revolutionised this concept and allowed enhanced breathability while maintaining the thermal protection required. The original rollout of the Fire Kit was schedule for 1st July 2020 which has been delayed due to manufacturing issues caused by the global Covid Pandemic. As we are all aware Covid 19 has affected so much throughout the world and we couldn't escape its grasp. The measuring programme of firefighters was put on hold, airfreight was heavily disrupted and direct manufacturing in the country of origin has put the rollout date back by around 3 to 4 months.

2. FINANCIAL IMPLICATIONS

- 2.1 The projected cost of the initial purchase of Firefighter PPE including measuring and sizing sets for South Wales is £1,833,018 against the budgeted Capital cost of £2.1M, which was approved as part of the MTFS by FRA on 16th September 2019, minute 27.1 refers.
- 2.2 The projected annual cost for Managed Care is £112,902 funded via the Uniform Revenue budget. This shows an increase over the current annual Managed Care cost of £17,526

3. EQUALITY RISK ASSESSMENT

- 3.1 An Equality Risk Assessment was undertaken by South Wales Fire & Rescue Service for the All Wales Project. There were no issues identified.
- 3.2 The large numbers of staff involved from the WDS & On Call element including male & female Firefighters in the practical trials ensured that a cross section of staff from across the three Services were involved in the trials. The new Firefighter PPE is a high performing, comfortable unisex garment with the design and ergonomic fit suitable for both male and female wearers. Tunics and trousers size ranges include 40 sizes ranging from x-small/x-short to 4x-large/2x-Tall catering for all staff. Initial measuring is undertaken by the supplier trained measuring team with training provided to Fire Service personnel for size changes.

4. RECOMMENDATION

- 4.1 That Members endorse the appointment of Ballyclare Ltd as the Service providers for manufacture and managed care of structural firefighters PPE for a period of up to ten years and note the timelines for rollout of the new PPE across the Service.

Contact Officer: Group Manager Huw Morse Operational Appliance & Equipment Team	Background Papers: Firefighter Structural PPE Replacement Project (All Wales)
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AGENDA ITEM NO 6.vii

**NOT FOR PUBLICATION TO THE PRESS OR PUBLIC BY VIRTUE OF
SECTION 100A AND PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A OF
THE LOCAL GOVERNMENT ACT 1972 (AS AMMENDED)**

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AGENDA ITEM NO 7

Reports for Information

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**FORWARD WORK PROGRAMME FOR
FIRE & RESCUE AUTHORITY 2020/21**

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
13 July 2020	Ratification of Various Emergency Decisions	To provide ratification of the following emergency decisions: <ul style="list-style-type: none"> • Emergency Delegated Powers • Strategic Equality Plan • Firefighter Pension Discretions • Pay Policy • Report to those Charged with Governance 	DCO Contact Officer: Sally Chapman	Completed
13 July 2020	Treasury Management Strategy 2020/21	To seek Members' approval to the Treasury Management Strategy for the financial year.	Treasurer Contact Officer: Geraint Thomas	Completed
13 July 2020	Carbon Reduction Plan	To seek Members' observations and approval on the proposed plan and associated actions.	DCO Contact Officer: Geraint Thomas	Completed
13 July 2020	Lease Cars and Tax - Proposals to Amend Lease Scheme	To update the Lease Scheme to ensure it is tax compliant and to review contribution rates.	ACFO TS Contact Officer: Richie Prendergast	Completed
13 July 2020	Pension Ombudsman Decision	To advise Members of the outcome of a recent Pension Ombudsman decision affecting the Fire & Rescue Authority.	ACO PS Contact Officer: Alison Reed	Completed

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
13 July 2020	Strategic Risk	To advise Members of the Strategic Risks of the organisation and how these are being treated, managed or reduced.	DCO Contact Officer: Sarah Watkins	Completed
13 July 2020	End of year Health Check on Performance and Strategic Objectives 2019/20	To advise Members of end of year performance against agreed targets and to advise Members of the end of year health check position in securing the achievement of the Strategic Objectives.	DCO Contact Officer: Sarah Watkins	Completed
13 July 2020	Welsh Language Standards	To update Members on compliance against the Welsh Language Standards.	ACO PS Contact Officer: Alison Reed	Completed
13 July 2020	Report on Proposed Priority Actions 2021/22	To advise Members of the proposed Priority Actions 2021/22 and to seek authority to enter into public consultation on these.	DCO Contact Officer: Sarah Watkins	Completed
28 Sept 2020	Health & Safety Annual Report 2019/20	To advise Members of Health & Safety performance of the organisation.	ACFO TS Contact Officer: Richie Prendergast	On agenda
28 Sept 2020	Update on MTFs and Reserves Strategy	To update Members on the Financial Strategy and Reserves Strategy of the Authority prior to considering the report on the 2021/22 Budget Setting Strategy.	Treasurer Contact Officer: Chris Barton	On agenda

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
28 Sept 2020	Budget Strategy 2021/22	To obtain clarification upon the political steer for the Budget Strategy for 2021/22 budget setting process.	Treasurer Contact Officer: Chris Barton	On agenda
28 Sept 2020	Treasury Management Outturn 2019/20	To advise Members of the year end treasury management position.	Treasurer Contact Officer: Chris Barton & Geraint Thomas	On agenda
28 Sept 2020	New Inn Fire & Rescue Station	To discuss options for the redevelopment or relocation of New Inn Fire & Rescue Station	DCO/ACFO SD Contact Officer: Sally Chapman	On agenda
14 Dec 2020	WAO Annual Improvement Report	To advise Members of the key issues emanating from the annual report and to provide an opinion on adequacy and effectiveness of the organisation and its potential to improve, its approach to risk management, control and governance processes based on the WAO work undertaken during the year, including data quality & PIs, HR work, a Framework update, whistleblowing and forward planning.	DCO Contact Officer: Sally Chapman	
14 Dec 2020	Half Yearly Health Check of Performance and Review of Strategic Themes	To advise Members of performance against agreed performance indicator targets and achievement of Strategic themes at the mid-way point of the year.	DCO Contact Officer: Sarah Watkins	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
14 Dec 2020	Treasury Management Mid Term Report 2020/21	To advise Members of the mid-year position in relation to our treasury management.	Treasurer Contact Officer: Geraint Thomas	
14 Dec 2020	Independent Remuneration Panel for Wales' Draft Annual Report	To consider the IRPW's draft Annual Report and enable comments to be submitted to the Panel within required timescales.	DCO Contact Officer: Sally Chapman	
8 Feb 2021	Estimated Revenue & Capital Budget determination for 2021/22	To consider consultation responses and to set the recommended budget determination for consideration by the Fire Authority.	Treasurer Contact Officer: Geraint Thomas	
8 Feb 2021	SPI Target Setting 2021/22	To set the targets for the following financial year.	ACFO SD Contact Officer: Sarah Watkins	
8 Feb 2021	Report on Responses to the Consultation of the draft rolling Strategic Plan and Priority Actions 2021/22	To advise Members of consultation responses and seek approval for a final version of the rolling Strategic Plan.	DCO Contact Officer: Sarah Watkins	
8 Feb 2021	Pay Policy Statement 2020/21	To consider the Authority's Pay Policy Statement in compliance with the Localism Act 2011 and associated guidance.	ACO PS Contact Officer: Alison Reed	
8 Feb 2021	Gender Pay Gap Statement	To update Members on the analysis of the gender pay gap across the Service.	ACO PS Contact Officer: Alison Reed	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
8 Feb 2021	WAO Certificate of Compliance	To advise Members of the WAO Certificate of Compliance received in relation to the publication of the 2020/21 Improvement Plan.	DCO Contact Officer: Sally Chapman	
22 March 2021	Annual Report of the work of the Finance, Audit & Performance Management Committee & its scrutiny group during 2020/21	To advise Members of the work of the Committee.	DCO Contact Officer: Sally Chapman	
22 March 2021	Annual Report of the work of the HR & Equalities Committee during 2020/21	To advise Members of the work of the Committee.	ACO PS Contact Officer: Alison Reed	
22 March 2021	Annual Report of the Work of the Local Pensions Board 2020/21	To advise Members of the work of the Board.	ACO PS Contact Officer: Alison Reed	
22 March 2021	Annual Report of the Work of the PSB's	To update Members on the work of each of the PSB's and how this impacts upon the work of SWFRS.	DCO Contact Officer: Sarah Watkins	
22 March 2021	Treasury Management Strategy 2021/22	To secure Members' approval to the adoption of the Treasury Management Strategy 2021/22.	Treasurer Contact Officer: Geraint Thomas	
22 March 2021	Fire Authority & Committee Meeting Dates for 2021/22	To present Members with proposed dates of Authority & Committee meetings for 2021/22.	DCO Contact Officer: Sally Chapman	

Expected Date of Report	Report Name	Purpose of Piece of Work	Lead Director/ Contact Officer	Progress
22 March 2021	Carbon Reduction Plan	To update Members on the Carbon Reduction Plan.	DCO Contact Officer: Geraint Thomas	
22 March 2021	Strategic Equality Plan	To provide Members with the current Strategic Equality Plan.	ACO PS Contact Officer: Andrew Jones	
22 March 2021	Review of Firefighter Pension Schemes	To provide Members with an update on the current position of the Firefighter Pension Schemes.	ACO PS Contact Officer: Alison Reed	
22 March 2021	Member Attendance	To review Member attendance 2020/21	DCO Contact Officer: Sally Chapman	

Huw Jakeway – CFO
Sally Chapman – DCO
Dewi Rose – ACFO Service Delivery
Richie Prendergast – ACFO Technical Services
Alison Reed – ACO People Services

Chris Barton – Treasurer
Geraint Thomas – Head of Finance & Procurement
Alison Kibblewhite – Head of Operations
Sarah Watkins – Head of Corporate Services
Andrew Jones – Head of Human Resources

AGENDA ITEM NO 8

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

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1.	Apologies for Absence	
2.	Declarations of Interest	
	Members of the Fire & Rescue Authority are reminded of their personal responsibility to declare both orally and in writing any personal and/or prejudicial interest in respect of matters contained in this agenda in accordance with the provisions of the Local Government Act 2000, the Fire & Rescue Authority's Standing Orders and the Members Code of Conduct.	
3.	Chairperson's Announcements	
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	• HR and Equalities meeting held on 24 February 2020	15
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6.vii	NOT FOR PUBLICATION TO THE PRESS OR PUBLIC BY VIRTUE OF SECTION 100A AND PARAGRAPH 14 OF PART 4 OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 (AS AMMENDED)	241
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